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## **CHIA TAI ENTERPRISES INTERNATIONAL LIMITED**

**正大企業國際有限公司**

*(Incorporated in Bermuda with members' limited liability)*

(Stock Code: 3839)

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

#### **UNAUDITED CONSOLIDATED RESULTS**

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024.

#### **UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>US\$'000</b>	<b>US\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>107,979</b>	82,810
Cost of sales		<b>(89,990)</b>	(66,279)
Gross profit		<b>17,989</b>	16,531
Other income, net	5	<b>3,307</b>	434
Selling and distribution costs		<b>(6,176)</b>	(5,879)
General and administrative expenses		<b>(11,589)</b>	(11,319)
Finance costs	6	<b>(1,249)</b>	(711)
Share of profits and losses of:			
Joint venture		<b>114</b>	2,606
Associate		<b>1,161</b>	1,043
<b>PROFIT BEFORE TAX</b>	7	<b>3,557</b>	2,705
Income tax	8	<b>(824)</b>	(424)
<b>PROFIT FOR THE PERIOD</b>		<b>2,733</b>	2,281

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(Continued)*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>US\$'000</b>	<b>US\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>1,963</b>	2,027
Non-controlling interests		<b>770</b>	254
		<u><b>2,733</b></u>	<u>2,281</u>
		<i>US cents</i>	<i>US cents</i>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted	10	<u><b>0.80</b></u>	<u>0.80</u>
		<i>US\$'000</i>	<i>US\$'000</i>
<b>PROFIT FOR THE PERIOD</b>		<b>2,733</b>	2,281
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		<b>(1,615)</b>	(4,110)
Share of other comprehensive income of:			
Joint venture		<b>(2,431)</b>	(5,298)
Associate		<b>(418)</b>	(873)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>(4,464)</b></u>	<u>(10,281)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>(1,731)</b></u>	<u>(8,000)</u>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>(1,995)</b>	(7,063)
Non-controlling interests		<b>264</b>	(937)
		<u><b>(1,731)</b></u>	<u>(8,000)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
	<i>Note</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		98,825	95,951
Land lease prepayments		4,501	4,878
Investments in joint venture		98,757	101,074
Investments in associate		20,469	19,726
Other non-current assets		964	712
		223,516	222,341
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		31,696	39,690
Trade and bills receivables	11	67,417	63,284
Prepayments, deposits and other receivables		11,230	14,453
Pledged deposits		8,198	–
Cash and cash equivalents		41,960	37,606
		160,501	155,033
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	33,503	24,952
Other payables and accruals		13,355	13,714
Bank borrowings		58,967	58,118
Income tax payables		3,563	3,304
		109,388	100,088
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>51,113</b>	<b>54,945</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>274,629</b>	<b>277,286</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

	<b>30 June 2024 US\$'000 (Unaudited)</b>	31 December 2023 US\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	19,213	20,050
Other non-current liabilities	1,379	1,648
Deferred tax liabilities	3,750	3,570
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>24,342</b>	25,268
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>250,287</b>	252,018
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	25,333	25,333
Reserves	201,102	203,097
	<hr/>	<hr/>
	226,435	228,430
<b>Non-controlling interests</b>	<b>23,852</b>	23,588
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>250,287</b>	252,018
	<hr/> <hr/>	<hr/> <hr/>

## NOTES

### 1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2024, but is derived from the interim financial report. The interim financial report is unaudited and has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and the basis of preparation adopted in the preparation of the interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2023, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, IASs and Interpretations) issued by the IASB, except for the accounting policy changes as set out in note 2 below. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

This interim financial information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The IASB has issued a number of new standards, amendments to IFRSs and interpretation that are first effective for the current interim period. Of these, the following amendments may be relevant to the Group:

Amendments to IAS 1	Presentation of Financial Statements: Classification of liabilities as current or non-current ("2020 amendments")
Amendments to IAS 1	Presentation of Financial Statements: Non-current Liabilities with Covenants ("2022 amendments")
Amendments to IAS 7 and IFRS 7	Statement of cash flows and Financial Instruments: Disclosures – Supplier finance arrangements

None of the new standard, amendment and interpretation have had a significant financial effect to the Group. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current period.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments:

- the biochemical segment is principally engaged in the manufacture and/or sale of chlortetracycline and animal health products; and
- the industrial segment is principally engaged in the trading of machinery and the manufacture and sale of automotive parts, through the Group's joint venture and associate.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs and items not specifically attributed to individual segments, such as head office or corporate administration expenses are excluded from such measurements.

Segment assets exclude unallocated corporate assets. Unallocated corporate assets include cash and cash equivalents, income tax receivables and other assets that are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities. Unallocated corporate liabilities include bank borrowings, income tax payables, deferred tax liabilities and other liabilities that are managed on a group basis.

All revenue from contracts with customers is recognised at the point in time when our customer obtains control of the promised goods, i.e. when products are delivered to the customers' premises for domestic sales or in accordance with the terms and conditions of sale for export sales. The major product line of the Group is the manufacture and/or sale of chlortetracycline and animal health products in the biochemical segment as disclosed in note 3(a).

Disaggregation of revenue from contracts with customers by geographical location of customers is disclosed in note 3(b)(i).

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments during the period.

#### Six months ended 30 June 2024

	<b>Biochemical operations US\$'000 (Unaudited)</b>	<b>Industrial operations US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment revenue</b>			
Sales to external customers	<u>107,979</u>	<u>–</u>	<u>107,979</u>
<b>Segment results</b>			
The Group	4,954	(973)	3,981
Share of profits and losses of:			
Joint venture	–	114	114
Associate	<u>–</u>	<u>1,161</u>	<u>1,161</u>
	<u>4,954</u>	<u>302</u>	5,256
Reconciliation:			
Bank interest income			694
Finance cost			(1,249)
Unallocated head office and corporate expenses			<u>(1,144)</u>
Profit before tax			<u>3,557</u>
<b>Other segment information</b>			
Depreciation and amortisation	3,938	–	3,938
Capital expenditure*	<u>8,950</u>	<u>–</u>	<u>8,950</u>

\* Including additions to property, plant and equipment.

**3. OPERATING SEGMENT INFORMATION** *(Continued)*

**(a) Reportable operating segments** *(Continued)*

**At 30 June 2024**

	<b>Biochemical operations US\$'000 (Unaudited)</b>	<b>Industrial operations US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment assets</b>	<b>210,930</b>	<b>122,906</b>	<b>333,836</b>
Reconciliation: Unallocated corporate assets			<b>50,181</b>
Total assets			<b>384,017</b>
<b>Segment liabilities</b>	<b>46,866</b>	<b>116</b>	<b>46,982</b>
Reconciliation: Unallocated corporate liabilities			<b>86,748</b>
Total liabilities			<b>133,730</b>
<b>Other segment information</b>			
Investments in joint venture	–	<b>98,757</b>	<b>98,757</b>
Investments in associate	–	<b>20,469</b>	<b>20,469</b>



### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments *(Continued)*

Six months ended 30 June 2023

	Biochemical operations <i>US\$'000</i> (Unaudited)	Industrial operations <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	82,810	–	82,810
<b>Segment results</b>			
The Group	1,063	(801)	262
Share of profits and losses of:			
Joint venture	–	2,606	2,606
Associate	–	1,043	1,043
	1,063	2,848	3,911
Reconciliation:			
Bank interest income			505
Finance cost			(711)
Unallocated head office and corporate expenses			(1,000)
Profit before tax			2,705
<b>Other segment information</b>			
Depreciation and amortisation	3,526	–	3,526
Capital expenditure*	3,190	–	3,190

\* Including additions to property, plant and equipment.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments *(Continued)*

At 31 December 2023

	Biochemical operations <i>US\$'000</i> (Audited)	Industrial operations <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
<b>Segment assets</b>	<u>215,163</u>	<u>124,578</u>	339,741
Reconciliation: Unallocated corporate assets			<u>37,633</u>
Total assets			<u>377,374</u>
<b>Segment liabilities</b>	<u>39,118</u>	<u>22</u>	39,140
Reconciliation: Unallocated corporate liabilities			<u>86,216</u>
Total liabilities			<u>125,356</u>
<b>Other segment information</b>			
Investments in joint venture	–	101,074	101,074
Investments in associate	–	19,726	19,726

#### (b) Geographical information

##### (i) Revenue from external customers

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Mainland China	<b>74,072</b>	45,094
Americas	<b>15,097</b>	15,916
Asia Pacific (excluding mainland China)	<b>11,245</b>	15,873
Europe	<b>3,330</b>	2,615
Elsewhere	<b>4,235</b>	3,312
	<u><b>107,979</b></u>	<u>82,810</u>

The revenue information shown above is based on the location of customers.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (b) Geographical information *(Continued)*

##### (ii) *Non-current assets*

At 30 June 2024, 99% (31 December 2023: 99%) of the Group's non-current assets are located in mainland China.

### 4. REVENUE

Revenue represents the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts recognised within the scope of IFRS 15. All of the Group's revenue is from the biochemical segment.

### 5. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Bank interest income	694	505
Government grants	1,066	412
Gain on disposal of property, plant and equipment, net	929	–
Foreign exchange differences, net	(521)	(801)
Service income	987	–
Others	152	318
	<u>3,307</u>	<u>434</u>

### 6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	1,604	1,444
Less: Interest expense capitalised*	(355)	(733)
	<u>1,249</u>	<u>711</u>

\* Interest expense was capitalised at interest rate based on the respective loan facilities of 3.2%-5.1% per annum (six months ended 30 June 2023: 3.3%-5.1%).

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	89,990	66,279
Depreciation of property, plant and equipment	3,877	3,446
Amortisation of land lease prepayments	61	80
	<u>93,928</u>	<u>70,205</u>

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits in Hong Kong during the current period (six months ended 30 June 2023: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (six months ended 30 June 2023: 25%) on their taxable income according to the PRC corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC, certain subsidiaries of the Group in the PRC enjoy income tax exemptions or reductions.

	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	691	754
Under-provision in prior years	–	19
Deferred	133	(349)
	<u>824</u>	<u>424</u>
Total tax expense for the period	<u>824</u>	<u>424</u>

## 9. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the period.

The calculation of basic earnings per share is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	<b>1,963</b>	<b>2,027</b>
	<b>1,963</b>	<b>2,027</b>
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic earnings per share calculation	<b>253,329,087</b>	<b>253,329,087</b>
	<b>253,329,087</b>	<b>253,329,087</b>

As there were no potential dilutive ordinary shares during the six months ended 30 June 2024 and 2023, the amount of diluted earnings per share is equal to basic earnings per share.

## 11. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest may be charged by the Group for overdue trade receivable at rates determined by the Group with reference to market practice. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade receivables (based on the date of delivery of goods) and bills receivables (based on issue date) are as follows:

	<b>30 June</b>	<b>31 December</b>
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables:		
60 days or below	<b>35,978</b>	33,849
61 to 180 days	<b>24,013</b>	19,033
Over 180 days	<b>4,515</b>	8,928
	<b>64,506</b>	61,810
	<b>64,506</b>	61,810
Bills receivables:		
60 days or below	<b>2,855</b>	1,105
61 to 180 days	<b>56</b>	369
	<b>2,911</b>	1,474
	<b>2,911</b>	1,474
	<b>67,417</b>	63,284
	<b>67,417</b>	63,284

## 12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade payables (based on the date of receipt of goods) and bills payables (based on issue date) as at the end of the reporting period, are as follows:

	<b>30 June</b> <b>2024</b> <i>US\$'000</i> <b>(Unaudited)</b>	31 December 2023 <i>US\$'000</i> <b>(Audited)</b>
Trade payables:		
60 days or below	<b>10,243</b>	16,895
61 to 180 days	<b>13,735</b>	2,113
Over 180 days	<b>1,327</b>	592
	<hr/> <b>25,305</b> <hr/>	<hr/> 19,600 <hr/>
Bills payables:		
60 days or below	<b>3,301</b>	5,352
61 to 180 days	<b>4,897</b>	–
	<hr/> <b>8,198</b> <hr/>	<hr/> 5,352 <hr/>
	<hr/> <b>33,503</b> <hr/> <hr/>	<hr/> 24,952 <hr/> <hr/>

Bills payables were secured by pledged deposits.

## 13. COMPARATIVE AMOUNTS

Comparative amounts of transportation expenses for distributing products included in selling and distribution costs have been reclassified to cost of sales to conform to the current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

The Group has two lines of business: biochemical business and industrial business. The biochemical business focuses on chlortetracycline (“CTC”) and animal health products, and is carried on by Group subsidiaries. This business segment accounts for all of the Group’s consolidated revenue. The industrial business comprises the Group’s interests in its joint venture ECI Metro Investment Co., Ltd. (together with its subsidiaries, “ECI Metro”) and its associate Zhanjiang Deni Vehicle Parts Co., Ltd. (together with its subsidiaries, “Zhanjiang Deni”). The results of the Group’s industrial business are incorporated in the consolidated statement of comprehensive income as share of profits and losses of joint venture and associate.

For the six months ended 30 June 2024 (“1H2024”), the Group’s revenue increased 30.4% to US\$107.98 million (for the six months ended 30 June 2023 (“1H2023”): US\$82.81 million). However, overall gross profit margin decreased from 20.0% in 1H2023 to 16.7% in 1H2024 mainly due to an increase in trading business which has a lower profit margin.

Profit attributable to shareholders of the Company was US\$1.96 million in 1H2024, a decrease of 3.2% compared to US\$2.03 million in 1H2023.

Basic and diluted earnings per share were both 0.8 US cents (1H2023: 0.8 US cents). The Board of Directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2024 (1H2023: Nil).

### **BUSINESS REVIEW**

#### **Biochemical**

We generate our revenue mainly from the manufacture and/or sale of CTC products (CTC Premix and CTC HCL) and animal health products. CTC products are antibiotics used to prevent or cure animal diseases. Our animal health products, on the other hand, are mainly preventive drugs for livestock diseases. In the past few years, we have been strategically broadening our product portfolio to cover related veterinary products. Of these new offerings, some we manufacture and sale, and some we source and trade. The Group’s major customers include farms, pharmaceutical companies, trading companies and feed mills.

In 1H2024, the Group’s revenue from the biochemical business increased 30.4% to US\$107.98 million (1H2023: US\$82.81 million). Our sales mix changed in-line with our strategic business direction. Revenue contribution from CTC products decreased from 48% in 1H2023 to 33% in 1H2024, while revenue contribution from animal health products increased from 52% in 1H2023 to 67% in 1H2024.

Our asset-light trading business – the expanding segment – has a lower profit margin relative to our manufacturing business. As a result, overall gross profit margin reduced from 20.0% in 1H2023 to 16.7% in 1H2024. Nevertheless, contribution from our biochemical business improved in 1H2024.

## **Industrial**

The Group's industrial business is conducted through ECI Metro and Zhanjiang Deni.

ECI Metro is principally engaged in the sale, leasing and servicing of Caterpillar machinery equipment in western China. The excavator market in China had been impacted by a decline in construction machinery demand in the past few years. In 1H2024, according to the China Construction Machinery Association, excavator sales, in unit terms, across the entire market recorded a modest 4.7% increase when compared to that in 1H2023. Although we were able to maintain our volume market share in 1H2024, our revenue from sales of excavators, power system and spare parts decreased due to intense competition. Sales of small and medium-sized construction machinery were also continuously challenged by domestic brands in China. As a result, for the six months ended 30 June 2024, our share of profit of joint venture declined from US\$2.61 million in 1H2023 to US\$0.11 million in 1H2024.

Zhanjiang Deni is principally engaged in the manufacture and sale of automotive parts, which are mainly sold to automobile and motorcycle manufacturers. According to the China Association of Automobile Manufacturers, China automobile sales in 1H2024 increased by 6.1% when compared to that in 1H2023. On the other hand, according to China Chamber of Commerce for Motorcycle, China motorcycle sales in 1H2024 was 2.9% lower than that in 1H2023. For the six months ended 30 June 2024, our share of profit of associate remained stable at US\$1.16 million (1H2023: US\$1.04 million).

## **OUTLOOK**

Looking forward, the pace of farming market recovery and changes in global economic dynamics are expected to bring uncertainties to our biochemical business. For our industrial business, fixed-asset investment growth in the remainder of 2024 is expected to hover at a low level and competition is likely to remain intense. Overall, we remain cautious for our performance in the remainder of 2024.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2024, the Group had total assets of US\$384.0 million, an increase of 1.8% as compared to US\$377.4 million as at 31 December 2023.



Net debt (30 June 2024: US\$28.0 million, 31 December 2023: US\$40.6 million) to equity ratio (defined as total bank borrowings minus cash and deposits divided by total equity) was 0.11 as compared to 0.16 as at 31 December 2023.

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 30 June 2024 and 31 December 2023.

As at 30 June 2024, the Group’s fixed interest rate bank borrowings amounted to US\$42.7 million (31 December 2023: US\$41.1 million).

All domestic sales in mainland China are transacted in RMB and export sales are transacted in foreign currencies. The Group monitors exchange rate movements and determines appropriate hedging activities when necessary.

### **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had cash and cash equivalents of US\$42.0 million as at 30 June 2024, increase of US\$4.4 million compared to US\$37.6 million as at 31 December 2023.

### **CHARGES ON GROUP ASSETS**

As at 30 June 2024, out of the total borrowings of US\$78.2 million (31 December 2023: US\$78.2 million) obtained by the Group, US\$20.7 million (31 December 2023: US\$21.7 million) was secured and accounted for 26.5% (31 December 2023: 27.7%) of the total borrowings. Certain of the Group’s property, plant and equipment and land lease prepayments with an aggregate net book value of US\$29.2 million (31 December 2023: US\$33.8 million) were pledged as security.

### **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group did not have any significant contingent liabilities.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2024, the Group employed around 900 employees in the mainland China and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market conditions while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

## **CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining strict corporate governance standards. The principles of these standards are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2024.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Code of Conduct for Securities Transactions, which is based on the required standard set out in Appendix C3 to the Listing Rules – Model Code for Securities Transactions by Directors of Listed Issuers, as the code of conduct for dealings in the Company’s securities by its directors. All Directors responded to a specific enquiry by the Company and confirmed that they complied with the required standard set out in the Code of Conduct for Securities Transactions during the six months ended 30 June 2024.

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2024 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified review report is included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the interim results for the six months ended 30 June 2024.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Thanakorn Seriburi**  
*Director*

Hong Kong, 9 August 2024

*As at the date of this announcement, the Board comprises Mr. Soopakij Chearavanont (Chairman and Non-executive Director), Mr. Thirayut Phityaisarakul, Mr. Thanakorn Seriburi, Mr. Nopadol Chiaravanont, Mr. Chawalit Na Muangtoun (each an Executive Director), Mr. Yoichi Ikezoe (Non-executive Director), Mr. Surasak Rounroengrom, Mr. Cheng Yuk Wo, Mr. Edward Ko Ming Tung and Ms. Cheung Marn Kay (each an Independent Non-executive Director).*