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CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3839)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED RESULTS

The board of directors (the “Board”) of Chia Tai Enterprises International Limited (the “Company”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)

		Year ended 31 December	
		2022	2021
REVENUE	<i>Note</i> 4	159,239	142,407
Cost of sales		(120,050)	(107,647)
Gross profit		39,189	34,760
Other income, net	5	237	2,171
Gain on factory relocation	5	–	18,610
Selling and distribution costs		(13,106)	(10,870)
General and administrative expenses		(21,203)	(18,922)
Finance costs		(994)	(648)
Share of profits and losses of:			
Joint venture		(9,006)	4,026
Associate		2,134	2,198
(LOSS)/PROFIT BEFORE TAX	6	(2,749)	31,325
Income tax	7	(1,510)	(4,629)
(LOSS)/PROFIT FOR THE YEAR		(4,259)	26,696

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)
(Continued)

		Year ended 31 December	
		2022	2021
	<i>Note</i>		
(Loss)/profit attributable to:			
Shareholders of the Company			
Excluding gain on factory relocation		(6,677)	8,532
Gain on factory relocation		<u> –</u>	<u>11,032</u>
		(6,677)	19,564
Non-controlling interests			
Excluding gain on factory relocation		2,418	2,345
Gain on factory relocation		<u> –</u>	<u>4,787</u>
		2,418	7,132
		(4,259)	26,696
		<u><u> </u></u>	<u><u> </u></u>
		<i>US cents</i>	<i>US cents</i>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO SHAREHOLDERS			
OF THE COMPANY	9		
Basic and diluted			
Excluding gain on factory relocation		(2.64)	3.37
Gain on factory relocation		<u> –</u>	<u>4.35</u>
		(2.64)	7.72
		<u><u> </u></u>	<u><u> </u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)
(Continued)

		Year ended 31 December	
		2022	2021
(LOSS)/PROFIT FOR THE YEAR	<i>Note</i>	(4,259)	26,696
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		(6,277)	2,266
Share of other comprehensive income of:			
Joint venture		(9,431)	3,393
Associate		(1,770)	558
		<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(17,478)	6,217
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(21,737)	32,913
		<u> </u>	<u> </u>
Total comprehensive income attributable to:			
Shareholders of the Company			
Excluding gain on factory relocation		(22,209)	14,028
Gain on factory relocation		–	11,032
		<u> </u>	<u> </u>
		(22,209)	25,060
Non-controlling interests			
Excluding gain on factory relocation		472	3,066
Gain on factory relocation		–	4,787
		<u> </u>	<u> </u>
		472	7,853
		<u> </u>	<u> </u>
		(21,737)	32,913
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN US\$'000)

		At 31 December	
		2022	2021
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		93,847	92,586
Land lease prepayments		5,168	5,755
Investments in joint venture		102,122	120,559
Investments in associate		19,880	21,838
Other non-current assets		246	–
		<hr/>	<hr/>
Total non-current assets		221,263	240,738
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		45,734	36,070
Trade and bills receivables	10	40,863	39,559
Prepayments, deposits and other receivables		11,866	17,756
Cash and cash equivalents		30,859	31,093
		<hr/>	<hr/>
Total current assets		129,322	124,478
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	18,816	13,279
Other payables and accruals		17,657	14,250
Bank borrowings		36,844	26,325
Income tax payables		3,997	5,301
		<hr/>	<hr/>
Total current liabilities		77,314	59,155
		<hr/>	<hr/>
NET CURRENT ASSETS		52,008	65,323
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		273,271	306,061
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN US\$'000)
(Continued)

		At 31 December	
		2022	2021
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Bank borrowings		12,258	16,287
Other non-current liabilities		2,170	2,370
Deferred tax liabilities		3,091	3,881
		<hr/>	<hr/>
Total non-current liabilities		17,519	22,538
		<hr/>	<hr/>
NET ASSETS		255,752	283,523
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	12	25,333	25,333
Reserves		205,517	227,726
		<hr/>	<hr/>
		230,850	253,059
Non-controlling interests		24,902	30,464
		<hr/>	<hr/>
TOTAL EQUITY		255,752	283,523
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's annual consolidated financial statements for the year ended 31 December 2022, but is derived from those financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). This 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

Adoption of new or amended IFRSs effective on or after 1 January 2022:

Amendments to IFRS 16	Property, plant and equipment: proceeds before intended use
Amendments to IAS 37	Provisions, contingent liabilities and contingent assets: Onerous Contracts – Cost of Fulfilling a Contract

None of the new or amended IFRSs has a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any new or amended IFRSs or interpretations that are not yet effective for the current accounting 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 other related 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 receivable 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 and 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 other related products in 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 for the years ended 31 December 2022 and 2021.

Year ended 31 December 2022

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	<u>159,239</u>	<u>–</u>	<u>159,239</u>
Segment results			
The Group	8,163	(1,681)	6,482
Share of profits and losses of:			
Joint venture	–	(9,006)	(9,006)
Associate	–	2,134	2,134
	<u>8,163</u>	<u>(8,553)</u>	<u>(390)</u>
Reconciliation:			
Bank interest income			368
Finance costs			(994)
Unallocated head office and corporate expenses			<u>(1,733)</u>
Loss before tax			<u>(2,749)</u>
Other segment information			
Depreciation and amortisation	6,925	–	6,925
Capital expenditure*	<u>15,771</u>	<u>–</u>	<u>15,771</u>

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2022

	Biochemical operations US\$'000	Industrial operations US\$'000	Total US\$'000
Segment assets	193,138	126,547	319,685
Reconciliation: Unallocated corporate assets			30,900
Total assets			350,585
Segment liabilities	37,716	19	37,735
Reconciliation: Unallocated corporate liabilities			57,098
Total liabilities			94,833
Other segment information			
Investments in joint venture	–	102,122	102,122
Investments in associate	–	19,880	19,880

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Year ended 31 December 2021

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue			
Sales to external customers	142,407	–	142,407
	<u>142,407</u>	<u>–</u>	<u>142,407</u>
Segment results			
The Group	28,665	(1,131)	27,534
Share of profits and losses of:			
Joint venture	–	4,026	4,026
Associate	–	2,198	2,198
	<u>–</u>	<u>2,198</u>	<u>2,198</u>
	<u>28,665</u>	<u>5,093</u>	<u>33,758</u>
Reconciliation:			
Bank interest income			76
Finance costs			(648)
Unallocated head office and corporate expenses			<u>(1,861)</u>
Profit before tax			<u>31,325</u>
Other segment information			
Depreciation and amortisation	7,541	15	7,556
Capital expenditure*	13,515	–	13,515
	<u>13,515</u>	<u>–</u>	<u>13,515</u>

* Including additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2021

	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	<u>186,447</u>	<u>147,582</u>	<u>334,029</u>
Reconciliation:			
Unallocated corporate assets			<u>31,187</u>
Total assets			<u>365,216</u>
Segment liabilities	<u>29,123</u>	<u>39</u>	29,162
Reconciliation:			
Unallocated corporate liabilities			<u>52,531</u>
Total liabilities			<u>81,693</u>
Other segment information			
Investments in joint venture	–	120,559	120,559
Investments in associate	–	21,838	21,838

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	83,294	70,466
Americas	29,099	30,652
Asia Pacific (excluding mainland China)	24,354	27,110
Europe	16,430	7,623
Elsewhere	6,062	6,556
	<u>159,239</u>	<u>142,407</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 31 December 2022, 99% (2021: 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:

	Year ended 31 December	
	2022	2021
	US\$'000	US\$'000
Bank interest income	368	76
Government grants	1,030	1,260
(Loss)/gain on disposal of property, plant and equipment, net	(110)	59
Foreign exchange differences, net	(1,620)	217
Others	569	559
	<u>237</u>	<u>2,171</u>
Gain on factory relocation*	<u>-</u>	<u>18,610</u>
	<u><u>237</u></u>	<u><u>20,781</u></u>

* In November 2016, Zhumadian Huazhong Chia Tai Co., Ltd., a subsidiary of the Company, entered into a relocation agreement (the "Relocation") with the People's Government of Zhumadian City. The Relocation, as part of Zhumadian's urban development plans, was completed in July 2021. The gain on factory relocation was arising from government compensation.

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2022	2021
	US\$'000	US\$'000
Cost of inventories sold	120,050	107,647
Depreciation of property, plant and equipment	6,786	7,409
Amortisation of land lease prepayments	139	147
Impairment of trade receivables, net	(78)	220
	<u>127,037</u>	<u>123,423</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2021: nil).

Subsidiaries operating in the People's Republic of China ("PRC") are subject to income tax at the rate of 25% (2021: 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.

	Year ended 31 December	
	2022	2021
	US\$'000	US\$'000
Current – the PRC		
Charge for the year	961	3,963
(Over)/under-provision in prior years	(236)	100
Deferred	785	566
	<u>1,510</u>	<u>4,629</u>
Total tax expense for the year	<u>1,510</u>	<u>4,629</u>

8. DIVIDEND

The Board has resolved not to declare a dividend for the year ended 31 December 2022 (2021: nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

The calculation of basic (loss)/earnings per share is based on the following data:

	Year ended 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/earnings		
(Loss)/profit for the year attributable to shareholders of the Company, used in the basic (loss)/earnings per share calculation		
Excluding gain on factory relocation	(6,677)	8,532
Gain on factory relocation	-	11,032
	<u> </u>	<u> </u>
	(6,677)	19,564
	<u><u> </u></u>	<u><u> </u></u>

	Year ended 31 December	
	2022	2021

Shares

Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation	253,329,087	253,329,087
	<u><u> </u></u>	<u><u> </u></u>

As there were no potential dilutive ordinary shares during the years ended 31 December 2022 and 2021, the amount of diluted (loss)/earnings per share is equal to basic (loss)/earnings per share.

10. 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 balances 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 and bills receivables, based on the date of delivery of goods, is as follows:

	At 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	18,117	22,244
61 to 180 days	14,746	11,824
Over 180 days	8,000	5,491
	40,863	39,559

11. TRADE PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	At 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	15,535	12,331
61 to 180 days	2,592	647
Over 180 days	689	301
	18,816	13,279

12. SHARE CAPITAL

	At 31 December	
	2022	2021
	US\$'000	US\$'000
Authorised		
<i>Ordinary shares:</i>		
787,389,223 shares (2021: 787,389,223 shares) of US\$0.1 each	78,739	78,739
<i>Convertible preference shares:</i>		
12,610,777 shares (2021: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>80,000</u>	<u>80,000</u>
Issued and fully paid		
<i>Ordinary shares:</i>		
240,718,310 shares (2021: 240,718,310 shares) of US\$0.1 each	24,072	24,072
<i>Convertible preference shares:</i>		
12,610,777 shares (2021: 12,610,777 shares) of US\$0.1 each	<u>1,261</u>	<u>1,261</u>
	<u>25,333</u>	<u>25,333</u>

There were no movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2022 and 2021.

12. SHARE CAPITAL *(Continued)*

Notes:

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meetings. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

- (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal amounts of the convertible preference shares held by them respectively, an amount equal to the aggregate of the distribution value (as defined in the bye-laws of the Company) of all the convertible preference shares held by them respectively;
- (ii) the balance of such assets shall be distributed on a *pari passu* basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amounts paid up on the shares held by them respectively; and
- (iii) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate in such assets, by reference to the aggregate nominal amounts of shares held by them respectively.

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

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 other related 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 year ended 31 December 2022, the Group’s revenue increased 11.8% to US\$159.2 million (2021: US\$142.4 million). Overall gross profit margin was at 24.6% (2021: 24.4%).

Loss attributable to shareholders of the Company was US\$6.7 million (2021: profit of US\$19.6 million). Excluding the one-off, net gain on factory relocation of US\$11 million in 2021, the Group receded from a profit of US\$8.5 million in 2021 to a loss of US\$6.7 million in 2022. The main contributing factor was the share of loss from ECI Metro.

Basic and diluted loss per share were both 2.6 US cents (2021: profit of 7.7 US cents). Excluding the one-off, net gain on factory relocation, basic and diluted loss per share were both 2.6 US cents (2021: profit of 3.4 US cents). The Board resolved not to declare a final dividend for the year ended 31 December 2022 (2021: Nil).

BUSINESS REVIEW

Biochemical

We generate a sizable portion of our revenue from the manufacture and sale of CTC products (CTC Premix and CTC HCL). CTC products are antibiotics used to prevent or cure animal diseases. In the past few years, we have been strategically broadening our product portfolio to cover other 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 2022, the Group's revenue from the biochemical business increased 11.8% to US\$159.2 million (2021: US\$142.4 million). Revenue contribution from China, the Americas, Asia Pacific (excluding China), and elsewhere was 52.3%, 18.3%, 15.3% and 14.1%, respectively.

For the year under review, despite multiple challenges at home and abroad, we recorded solid revenue growth, mainly due to an increase in domestic sales. In China, our CTC business remained stable. During the year, in response to the ban on the use of antibiotics as feed additives, the Group successfully shifted its key CTC customers from feed mills to farms. Furthermore, we actively explored sales of other veterinary products. These products generated new business for the Group and were the key revenue growth driver in China.

For our overseas markets, the COVID-19 pandemic caused logistic issues and product delivery delays. Nonetheless, the marketing efforts we put in successfully resulted in a slight increase in overall overseas revenue.

In 2022, average selling price of CTC premix, our main revenue contributor, was similar to that in 2021. Raw materials and energy were also under control during the year. Overall, gross profit margin was at 24.6% in 2022 (24.4% in 2021).

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. In 2022, the excavator market in China was impacted by sharp decline in construction machinery demand and COVID-19 control measures. According to the China Construction Machinery Association, excavator sales across the entire market in 2022 was 45% lower than 2021. Our market share in the small and medium-sized construction machinery segment was also continuously challenged by domestic brands in China. For the year ended 31 December 2022, our share of profits and losses of joint venture reduced from a profit of US\$4 million in 2021 to a loss of US\$9 million in 2022.

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, automobile sales in 2022 increased 2.1% year-on-year; and according to China Chamber of Commerce for Motorcycle, China motorcycle sales in 2022 was 16% lower than 2021. For the year ended 31 December 2022, our share of profit of associate was US\$2.1 million (2021: US\$2.2 million).

OUTLOOK

Looking forward, the pace of economic recovery and various animal diseases are expected to bring uncertainties to our biochemical business. For our industrial business, fixed-asset investment growth in 2023 is expected to hover at a low level and competition is likely to remain intense for the year. Overall, we remain cautious for our performance in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had total assets of US\$350.6 million, an decrease of 4.0% as compared to US\$365.2 million as at 31 December 2021.

Net debt (31 December 2022: US\$18.2 million, 31 December 2021: US\$11.5 million) to equity ratio (defined as total bank borrowings minus cash divided by total equity) was 0.07 as at 31 December 2022.

All the borrowings of the Group are denominated in Renminbi (“RMB”) as at 31 December 2022 and 2021.

As at 31 December 2022, the Group’s fixed interest rate bank borrowings amounted to US\$26.8 million (31 December 2021: US\$20.9 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\$30.9 million as at 31 December 2022, a decrease of US\$0.2 million compared to US\$31.1 million as at 31 December 2021.

CHARGES ON GROUP ASSETS

As at 31 December 2022, out of the total borrowings of US\$49.1 million (31 December 2021: US\$42.6 million) obtained by the Group, US\$18.3 million (31 December 2021: US\$18.9 million) was secured and accounted for 37.3% (31 December 2021: 44.4%) 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\$13.8 million (31 December 2021: US\$10.8 million) were pledged as security.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed around 1,000 employees in the PRC 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.

DIVIDEND

The Board resolved not to declare a dividend for the year ended 31 December 2022 (2021: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members holding ordinary shares of the Company will be closed from 6 June 2023 to 9 June 2023, both days inclusive, during which no transfer of ordinary shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 9 June 2023, all transfer forms for ordinary shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 5 June 2023.

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 and the disclosure requirements as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Code of Conduct for Securities Transactions, which is based on the required standards set out in Appendix 10 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. In response to a specific enquiry made by the Company, all directors of the Company confirmed that they had complied with the required standard set out in the Code of Conduct for Securities Transactions during 2022.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The financial figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022, as set out in this announcement, have been compared by KPMG, Certified Public Accountants, to the amounts set out in the consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KPMG on the results announcement.

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

During 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Thanakorn Seriburi
Director

Hong Kong, 23 February 2023

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 and Mr. Edward Ko Ming Tung (each an Independent Non-executive Director).