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CHTC FONG'S INDUSTRIES COMPANY LIMITED
恒天立信工業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the "Board") of CHTC Fong's Industries Company Limited (the "Company" or "CHTC Fong's") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Revenue	2	**3,757,496**	2,126,467
Cost of sales		**(2,631,194)**	(1,608,311)
Gross profit		**1,126,302**	518,156
Interest income		**3,669**	2,693
Other income		**23,438**	32,972
Other losses		**(26,480)**	(10,424)
Selling and distribution costs		**(304,008)**	(140,231)
General and administrative expenses		**(538,020)**	(420,361)
Other expenses		**(100,411)**	(74,862)
Finance costs	3	**(61,767)**	(47,204)
Share of results of an associate		**17**	231
Share of results of joint ventures		**–**	6,707
Gain on remeasurement of previously held interests in joint ventures		**–**	288,399
Profit before tax		**122,740**	156,076
Income tax expense	4	**(42,385)**	(4,049)
Profit for the year		**80,355**	152,027

	Note	**2013**	2012
		HK$'000	*HK$'000*
Other comprehensive income (expense), net of nil tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**27,117**	9,148
Share of changes in translation reserve of an associate		**932**	513
Share of changes in translation reserve of joint ventures		**–**	2,093
Reclassification adjustment of translation reserve upon deemed disposal of joint ventures		**–**	(24,308)
Reclassification adjustment of translation reserve upon deregistration of subsidiaries		**10,069**	–
Gain on cash flow hedge		**944**	6,192
Other comprehensive income (expense) for the year		**39,062**	(6,362)
Total comprehensive income for the year		**119,417**	145,665
Profit (loss) for the year attributable to:			
Owners of the Company		**80,365**	152,027
Non-controlling interest		**(10)**	–
		80,355	152,027
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**119,427**	145,665
Non-controlling interest		**(10)**	–
		119,417	145,665
Earnings per share			
Basic and diluted	5	**14.6 HK cents**	27.6 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**630,701**	554,775
Prepaid lease payments		**263,955**	158,398
Goodwill		**533,515**	533,515
Intangible assets		**98,972**	102,617
Interest in an associate		**38,113**	37,164
Deposits for acquisition of property, plant and equipment		**4,351**	21,123
Deposits for acquisition of leasehold land		**8,258**	29,195
Deferred tax assets		**20,251**	20,222
		1,598,116	1,457,009
Current assets			
Inventories		**786,294**	760,437
Trade and other receivables	7	**533,695**	561,317
Prepaid lease payments		**5,832**	3,541
Tax recoverable		**2,656**	5,048
Cash and cash equivalents		**469,670**	412,870
		1,798,147	1,743,213
Current liabilities			
Trade and other payables	8	**893,548**	661,738
Warranty provision		**26,090**	13,328
Derivative financial instruments		**–**	944
Tax liabilities		**37,319**	17,378
Borrowings		**1,040,189**	1,185,845
		1,997,146	1,879,233
Net current liabilities		**(198,999)**	(136,020)
Total assets less current liabilities		**1,399,117**	1,320,989

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**16,893**	13,274
Borrowings	**134,741**	169,355
	151,634	182,629
	1,247,483	1,138,360
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**55,145**	55,145
Share premium and reserves	**1,191,613**	1,083,215
	1,246,758	1,138,360
Non-controlling interest	**725**	–
Total equity	**1,247,483**	1,138,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group.

HKFRS 10, Consolidated Financial Statements

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates an investee. HKFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, HKFRS 10 requires the Group consolidated investees that it controls on the basis of de facto circumstances.

The Directors of the Company made an assessment as at the date of initial application of HKFRS 10 as to whether or not the Group has control over the investee in accordance with the new definition of control and the related guidance set out at HKFRS 10, and concluded that the adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

The new and revised HKFRSs noted below are relevant to the Group but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HK(IFRIC) – Interpretation 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

[2] Effective for annual periods beginning on or after 1 July 2014.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations would be in the period of initial application, but not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the performance of each group company. The CODM reviews operating results and financial information on a group company by company basis. Each company is identified as an operating segment in accordance with HKFRS 8. When the group company is operating in similar business model with similar target group of customers, the Group's operating segments are aggregated.

Specifically, the Group's reportable segments under HKFRS 8 are aggregation of operating segments based on types of goods or services delivered or provided, as follows:

1. Manufacture and sale of dyeing and finishing machines

2. Trading of stainless steel supplies

3. Manufacture and sale of stainless steel casting products

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2013

	Manufacture and sale of dyeing and finishing machines *HK$'000*	Trading of stainless steel supplies *HK$'000*	Manufacture and sale of stainless steel casting products *HK$'000*	Total *HK$'000*
REVENUE				
External sales	**2,840,422**	**407,920**	**509,154**	**3,757,496**
Inter-segment sales	**15,769**	**338,829**	**45,372**	**399,970**
Segment revenue	**2,856,191**	**746,749**	**554,526**	**4,157,466**
Elimination				**(399,970)**
Group revenue				**3,757,496**
Segment profit	**135,324**	**1,837**	**43,660**	**180,821**
Interest income				**3,669**
Finance costs				**(61,767)**
Share of results of an associate				**17**
Profit before tax				**122,740**

For the year ended 31 December 2012

	Manufacture and sale of dyeing and finishing machines *HK$'000*	Trading of stainless steel supplies *HK$'000*	Manufacture and sale of stainless steel casting products *HK$'000*	Total *HK$'000*
REVENUE				
External sales	1,246,153	465,242	415,072	2,126,467
Inter-segment sales	5,849	175,749	31,383	212,981
Segment revenue	1,252,002	640,991	446,455	2,339,448
Elimination				(212,981)
Group revenue				2,126,467
Segment (loss) profit	(112,313)	(3,653)	21,216	(94,750)
Interest income				2,693
Finance costs				(47,204)
Share of results of an associate				231
Share of results of joint ventures				6,707
Gain on remeasurement of previously held interests in joint ventures				288,399
Profit before tax				156,076

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results of each segment excluding interest income, finance costs, share of results of an associate, share of results of joint ventures and gain on remeasurement of previously held interests in joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at terms agreed between relevant parties.

Geographical information

The Group's operations are located mainly in Hong Kong, the People's Republic of China (the "PRC") and Germany.

Information about the Group's revenue from external customers is presented based on location of customers and information about its non-current assets is presented based on the geographical location of the assets, they are detailed below:

	Revenue from external customers		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**1,823,498**	800,562	**1,392,950**	1,261,453
Hong Kong	**441,386**	382,098	**14,771**	11,132
Asia Pacific (other than the PRC and Hong Kong)	**600,389**	408,642	**89**	104
Europe	**462,234**	278,332	**170,017**	164,056
North and South America	**280,700**	228,793	**38**	42
Others	**149,289**	28,040	**–**	–
	3,757,496	2,126,467	**1,577,865**	1,436,787

Non-current assets excluded deferred tax assets. The management considered that the cost to develop the revenue by individual countries for "Asia Pacific", "Europe", "North and South America" and "Others" are excessive and revenue included in these areas attributed to each individual country is not material.

No revenue generated from any single customer amounted to 10% or more of the Group's revenue for the years ended 31 December 2013 and 2012.

3. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**46,156**	40,575
Bank charges	**15,611**	6,629
	61,767	47,204

4. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**14,467**	2,812
Overprovision in prior years	**(363)**	–
PRC Corporate Income Tax ("CIT"):		
Current year	**20,597**	4,061
Underprovision in prior years	**234**	1,275
Overseas income tax:		
Current year	**3,895**	611
Overprovision in prior years	**(35)**	(19)
	38,795	8,740
Deferred tax:		
Current year	**3,590**	(4,691)
	42,385	4,049

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulations of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The relevant tax rate for the Group's subsidiaries in the PRC is 25% for both years. Taxation arising in other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**80,365**	152,027
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**551,446**	551,446

The Group has no outstanding potential ordinary shares as at 31 December 2013 and 2012 and during the years ended 31 December 2013 and 2012.

6. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid: 2 HK cents per share	**11,029**	–
Proposed final dividend: 4 HK cents per share	**22,058**	–
	33,087	–

An interim dividend of 2 HK cents per share, amounting to approximately HK$11,029,000, was declared on 28 August 2013 and paid on 10 October 2013.

The final dividend in respect of the year ended 31 December 2013 of 4 HK cents per share (2012: Nil) has been proposed by the Directors and is subject to the approval at the forthcoming annual general meeting of the Company.

7. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**326,546**	289,833
Less: Allowance for doubtful debts	**(5,242)**	(2,933)
	321,304	286,900
Bills receivables	**88,526**	112,090
	409,830	398,990
Other receivables	**123,865**	162,327
Total trade and other receivables	**533,695**	561,317

The Group allows an average credit period of 60 days (2012: 60 days) to its trade customers.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts and bills receivables presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**284,170**	322,816
61 – 90 days	**96,065**	49,555
Over 90 days	**29,595**	26,619
	409,830	398,990

8. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**165,365**	119,704
Receipts in advance	**346,117**	177,459
Other payables and accrued charges	**382,066**	364,575
	893,548	661,738

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 – 90 days	**131,438**	82,381
91 – 120 days	**20,213**	18,367
Over 120 days	**13,714**	18,956
	165,365	119,704

The average credit period on purchase of goods is 90 days (2012: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

DIVIDEND

The Board recommends the payment of a final dividend of 4 HK cents per share in respect of the year ended 31 December 2013, subject to approval by shareholders at the forthcoming annual general meeting of the Company. The dividend will be payable on or about 12 June 2014 to shareholders whose names appear on the register of members of the Company on Friday, 23 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 May 2014 to Thursday, 15 May 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Thursday, 15 May 2014 ("2014 AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Friday, 9 May 2014.

Subject to the approval of shareholders at the 2014 AGM, the proposed final dividend will be payable on or about 12 June 2014 to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 23 May 2014. The register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014, both days inclusive, for the purpose of determining the entitlements of the shareholders to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Tuesday, 20 May 2014.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the audited annual consolidated results of the Company and its subsidiaries for the year ended 31 December 2013.

This is my first annual report since being appointed Chairman of the Group. I would like to take this opportunity to thank Ms. He Fengxian, former Chairman of the Group, for moving the Group forward and her commitment and contribution made to the Group during her tenure.

2013 marked the 50th anniversary of the Group and its Golden Jubilee Year. It was an unforgettable year for the Group and its shareholders. At the beginning of the year, the Group adopted a new management structure, building a solid foundation for future development. The Company was also renamed "CHTC Fong's Industries Company Limited" to better reflect the close relationship with its parent company. 2013 also marked the beginning of a new stage in the development of the Group. The Board believes that CHTC Fong's will enter into a new and prosperous chapter in its future development.

2013 was an exciting year of transformation for the dyeing and finishing machine manufacturing business. Following the completion of the acquisition of the German Monforts Group by the Group on 30 November 2012, Monforts Fong's Textile Machinery Co. Limited and its subsidiaries (collectively "Monforts Fong's"), which were originally joint ventures of the Group, have become subsidiaries of the Group. This laid an essential cornerstone for CHTC Fong's to expand its business in the future. With this acquisition, the Group is able to further enhance its technology in the dyeing and finishing machine manufacturing industry. The Group is also able to provide the customers in the textile industry chain with one-stop quality products and excellent customer services, which further strengthen the position of CHTC Fong's as a leading dyeing and finishing machine provider in the global market. At present, the Group is focused on leveraging the synergies and cost benefit brought by the acquisition of the German Monforts Group, with an aim to boost its overall profitability.

During the year under review, the Group's core businesses continued to be the manufacturing of dyeing and finishing machines, trading of stainless steel supplies and manufacturing of stainless steel casting products. The Group's consolidated revenue amounted to approximately HK$3,757 million (2012: HK$2,126 million), an increase of 77% as compared to the previous year. The revenue of the dyeing and finishing machine manufacturing business accounted for 75% of the consolidated revenue, which was higher than the previous year and continued to be the most important revenue source of the Group. Meanwhile, the revenue of stainless steel trading and stainless steel product casting business accounted for 11% and 14% respectively. The increase in the consolidated revenue was mainly attributable to the increase in the revenue of the dyeing and finishing machine manufacturing business, thanks to (i) the revenue of the German Monforts Group and Monforts Fong's, which was included in the Group's revenue during the year after the acquisition of the German Monforts Group; (ii) the greater efforts in marketing development by the Group; and (iii) the newly launched TEC series high temperature dyeing machines and SYN-8 airflow dyeing machines were welcomed by the customers, thus leading to satisfactory sales.

In terms of profit, the Group recorded a profit after tax of approximately HK$80 million in 2013 while the profit after tax was approximately HK$152 million (including a one-off gain of approximately HK$288 million on "gain on remeasurement of previously held interests in joint ventures" that resulted from the acquisition of Monforts Fong's) in 2012.

Looking forward to 2014, the Board is optimistic about the growth performance of the Group in the coming year, despite the lingering uncertainties surrounding the global economy. Given the demand for environmentally friendly dyeing machinery with high value for money has been strong, the Group is watching the market closely and formulating its business and marketing strategies to capture opportunities that arise from the "energy-saving and environmentally friendly" trends in the textile industry. The Group will seek to grow and improve steadily, and will continue to commit more resources to new product research and development, production cost reduction and marketing promotion, so as to further strengthen its competitive advantages and increase its market share. The Board believes that the Group has already seen a rebound in 2013, and expects this to continue in 2014, with steady and healthy business development.

On the corporate side, the Group will continue to focus on optimising its debt structure and pursue debt refinancing under terms acceptable to the Group. At the same time, the Group will continue to improve its organisational structure and enhance corporate governance, so as to explore potential synergy, as well as to better position the Group for sustainable growth in the future.

As mentioned in the Company's Interim Report 2013, the construction of phase II of the plant, which is situated in the Linhai Industrial Park of Zhongshan Torch Hi-Tech Industrial Development Zone, Guangdong Province, the PRC, is expected to be completed in 2015. Upon relocation of the production facilities from the Shenzhen plant to the Zhongshan plant, the Group's overall production capacity will increase substantially, with further improvement in its production techniques and processes, and more effective utilisation of resources in Shenzhen and Zhongshan, thus better catering to its future development needs.

The Board and the management team will continue to execute all works in a sophisticated and phased approach. I believe that with all our hard work, the Group will further enhance its core competitiveness, and continue to maintain a healthy, stable and sustainable development momentum.

Finally, on behalf of the Board, I would like to thank our business partners, customers, suppliers and bankers for their tremendous support and trust. I would also like to express my gratitude to our shareholders for their ongoing support and trust, and to our management team and employees for their hard work and contribution to the Group during the past year. I look forward to sharing the fruitful results of the Group's future developments with all of our shareholders and working staff.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 31 December 2013, the Group recorded a revenue of approximately HK$3,757 million, representing an increase of 77% when compared with approximately HK$2,126 million recorded last year. Given the transition of Monforts Fong's from joint ventures to subsidiaries of the Group upon the completion of the acquisition of the German Monforts Group on 30 November 2012, the results of the German Monforts Group and Monforts Fong's have been consolidated into the Group's 2013 results. As such, a direct comparison between the Group's revenue in 2013 and that in the previous year is not meaningful.

The Group's profit amounted to approximately HK$80 million in 2013 as compared to approximately HK$152 million (including a one-off gain of approximately HK$288 million due to the gain on remeasurement of previously held interests in joint ventures arising from the acquisition of Monforts Fong's) in the previous year. Basic earnings per share was 14.6 HK cents in 2013 (2012: 27.6 HK cents).

DYEING AND FINISHING MACHINE MANUFACTURING

2013 was a year of change and much activity for the Group's dyeing and finishing machine manufacturing business. The acquisition of the German Monforts Group marked an important milestone in the Group's business expansion plans and the promotion and implementation of business strategies for its dyeing and finishing machine manufacturing business. These activities will enable the Group to further improve its dyeing and finishing equipment technologies and maintain its market leading position as the world's top dyeing and finishing machine supplier by providing customers throughout the textile industry with one-stop quality products and first-class customer service.

Despite lingering uncertainties across the global economy, sluggish economic recovery in countries such as Europe and the United States and the implementation of fiscal tightening measures in the PRC, the Group achieved relatively satisfactory growth in the sales of its dyeing and finishing machines in 2013. This sales growth was achieved as a result of adopting aggressive market development strategies, leveraging on customers' needs for more environmentally friendly and energy saving machines and capturing market demand for upgraded dyeing equipment. The Group also adjusted its management team and certain operational systems to further enhance the business and management efficiencies of the Group. Increased customer orders, combined with the implementation of improved production techniques and processes that trimmed costs, contributed to a significant improvement in the operating performance of the Group's dyeing and finishing machine business segment and encouraging growth in the gross profit margin. The Group continued to implement prudent business principles, strictly control production efficiency and costs and continuously improve the cash flow position. The Group also continued to invest resources in R&D, technologies, design and marketing to further strengthen its brand, improve product quality, enhance its technical services offering and broaden the market coverage of its products. The Group is currently in the process of reviewing its existing organisational structure and improving its management standards with a view to further streamline its corporate structure and to generate more Group-wide synergies. The Group is confident it can leverage its solid financial foundation, strong management team and its ability to offer quality products to further enhance its competitiveness.

For the year ended 31 December 2013, the Group's dyeing and finishing machine business segment recorded revenue growth of 128% with sales of approximately HK$2,840 million (2012: HK$1,246 million), accounting for 75% of the Group's revenue. Operating profit generated from the dyeing and finishing machine business segment was approximately HK$135 million in contrast to an operating loss of approximately HK$112 million in the previous year. As mentioned above, the Group consolidated the financial performance of the German Monforts Group and Monforts Fong's in 2013, and as such the revenue and results reported for this business segment cannot be directly compared with those of the previous year. In 2013, the German Monforts Group and Monforts Fong's reported consolidated revenue of approximately HK$1,300 million and operating profit of approximately HK$127 million. Excluding this consolidated revenue, the dyeing and finishing machine business segment generated revenue of approximately HK$1,540 million and an operating profit of approximately HK$8 million (2012: operating loss of approximately HK$112 million). The significant improvement in operating profit was mainly due to the Group accelerating the introduction of new products into the market, actively optimising production techniques, both of which created favourable conditions for increasing production capacity and securing new orders. In addition, the Group has adopted decisive measures throughout the year to reduce costs and increase efficiency with the aim of transforming the European business from a deficit to a surplus, thereby rectifying the adverse performance of the business segment which had been impacted by the substantial losses incurred in the European business over the years. At present, the dyeing and finishing machine business segment is close to achieving breakeven in Europe, and the Board is confident that the European business will be profitable going forward.

Currently, the Group is focused on harnessing the synergies and cost efficiencies arising from the acquisition of the German Monforts Group in order to expand its penetration along the textile industry chain and provide the market with more advanced dyeing and finishing equipment, thereby further enhancing the overall profitability of the Group. As phase I of the Zhongshan plant, which has excellent fundamentals, became operational in September 2012, Monforts Fong's has remained on track in production and management, and overall productivity is gradually improving. The business is expected to show consistent growth. Monforts Fong's is actively investing in manpower and other resources to strengthen its management and the competitiveness of its product lines in order to boost its sales and market share quickly and efficiently. The Board believes that products from Monforts Fong's will become a new driving force for the Group's revenue and profit growth in the coming year and beyond.

As mentioned in our Interim Report 2013, the Group has commenced construction of phase II of the Zhongshan plant which is expected to be completed in 2015. Upon completion, the Group's production facilities will be relocated from Shenzhen to Zhongshan. As a result, the Group's existing production capacity will be greatly strengthened and its manufacturing technology and processes will be further enhanced. Furthermore, the Group's resources in Shenzhen and Zhongshan will be allocated more efficiently to better cater to future development needs. The Group's management will also become more centralised, eliminating the duplication of costs through the integration of resources. This will allow the Group to better pursue its goal of providing European technology, domestic production, global distribution and one-stop production solutions to its customers. The Group will also continue to uphold its "integrity-based, technology-driven and customer-oriented" business philosophy, while being guided by a need to protect the environment and create value for customers. To achieve this, the Group will aim to continuously develop high-quality products that meet the market needs while providing domestic and international dyeing enterprises with the most advanced, environmentally-friendly and best value-for-money dyeing and finishing equipment. Preliminary estimated construction and capital expenditure of the new plant is approximately HK$800 million, which will be financed by the Group's internal resources and bank borrowings.

As the global community has placed greater importance on environmental protection, many customers plan to upgrade their existing dyeing and finishing machines and establish additional sewage treatment facilities in order to improve product quality and production capacity as well as to prepare for compliance with the new and more stringent emission standards. This industry-wide development has provided great opportunity for the Group. In 2007, through its own R&D team, the Group successfully developed a wastewater reuse system and corresponding equipment, which was primarily designed for dyeing factories. This system is now entering its harvest stage. The Group will actively seek projects to make it become a new profit driver in the near future.

Generally speaking, the sluggish recovery of the global economy, rising labour and raw material costs and intense competition in the industry have all adversely impacted the overall demand for dyeing and finishing machines and their prices. Therefore, this business segment of the Group continues to face challenges. However, in the long run, the Group believes that the outlook for the dyeing and finishing machine industry is bright. The Group's proven track record in offering quality products with advanced proprietary technologies will not only help our customers to reduce their production costs, it will also gain positive reputation for the Group and ensure strong and sustained market demand for its products. Looking forward to 2014, management is cautiously optimistic about the performance of the Group's dyeing and finishing machine business segment and is confident that the Group is well positioned and prepared for the opportunities that the upcoming global economic recovery may bring, as well as to handle any potential challenges.

STAINLESS STEEL TRADING

The overcapacity of the global stainless steel industry in recent years has given rise to highly intense market competition, which has, in turn, placed downward pressure on the price of stainless steel. For the year ended 31 December 2013, the Group's sales of stainless steel fell by 12% to approximately HK$408 million (2012: HK$465 million), accounting for 11% of the Group's consolidated revenue. In spite of the decrease in sales, the Group achieved a rebound in gross profit through more effective purchasing and inventory management, recording an operating profit of approximately HK$2 million in contrast to an operating loss of approximately HK$4 million in 2012.

In order to diversify its offering, the Group's stainless steel trading business segment has also engaged in the slitting and processing of stainless steel materials since 2012, providing customers with services such as the cutting and slicing of coils and plates. This business, which is complementary to the stainless steel trading business, will help to strengthen the Group's market competitiveness and bargaining power, and will bring additional sales orders from existing and new customers, helping to achieve greater market share.

As the current global macro-economic environment continues to be challenging and unpredictable, the outlook for the price of stainless steel remains uncertain. The Group will continue to run this business in a prudent manner, taking appropriate actions to control market risks. For example, the Group will make timely and appropriate adjustments to price and inventory levels through market analysis in an effort to accelerate the turnover rate of its inventories and to minimise the risk of price fluctuations. The Group will also strengthen the management of sales and accounts receivables in order to lower the risk of bad debt and to improve its cash flow.

Going forward, the accelerated pace of urbanisation and construction of infrastructure in the PRC, coupled with the gradual stabilisation of the global economy and market environment, will all have a positive impact on the consumption of stainless steel. While market uncertainties are likely to cap the upside price of stainless steel, the Group expects the price of stainless steel in 2014 to be slightly better than that in 2013. Therefore, the Board is of the view that the stainless steel trading business will maintain steady growth in the coming year.

STAINLESS STEEL CASTING

In 2013, the stainless steel casting business maintained a steady flow of orders from its major customers attributable to the efforts of the management team, stable supply capacity and good product quality. Meanwhile, the Group continued to optimise cost control, improve workshops and the production processes of certain products, increase automated production equipment, enhance product quality and effectively reduce the scrappage rate of its products. As such, the gross profit margin and overall profit for the stainless steel casting business segment improved and satisfactory growth in both revenue and operating profit was recorded. For the year ended 31 December 2013, the business segment recorded a revenue of approximately HK$509 million (2012: HK$415 million), representing an increase of 23% as compared to the previous year, and accounting for 14% of the Group's revenue. Operating profit for the year rose to approximately HK$43 million from approximately HK$21 million in 2012, up by 105% year-on-year.

The Board believes that market demand for high-quality stainless steel castings will continue to grow. However, in order to further expand market share, the Group needs to have a solid foundation. Accordingly, the Group will continue to (1) increase its production capacity and reduce the scrappage rate of its products, including further enhancing automation and reducing its reliance on manpower; (2) use advanced computerised design system as well as mold manufacturing equipment to further improve its molding capabilities and reduce development time for customers while better controlling the quality of its products; and (3) purchase equipment for the computerised digital-control processing center to strengthen its machining and surface treatment service capabilities, thus providing better value-added services for customers.

The Board is cautiously optimistic about the revenue and profit growth for the stainless steel casting business segment in 2014 given the above measures that the Group is implementing and the anticipated stabilisation of the global economy and market environment. The Board is also confident that this business segment will achieve a relatively quick growth in revenue in the mid to long term, which will bring satisfactory profit contribution to the Group.

HUMAN RESOURCES

The Group has always placed great importance on human resources and considers that competitive remuneration is an essential component of the overall factors that motivate employees at all levels of the business to be dedicated to their work and to provide customers with high quality products and services. As at 31 December 2013, the Group had a total of approximately 4,960 employees (31 December 2012: 4,620 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and Central and South America. In 2013, staff costs, including Directors' emoluments, was approximately HK$395 million (2012: HK$294 million), accounting for 10.5% (2012: 13.8%) of the Group's revenue. We believe this is a reflection of the work efficiency demonstrated by the Group's employees, which can offset market pressure for pay increases. The Group will continue to monitor the market situation and consolidate its human resource and labour structures in order to utilise manpower more efficiently and to enhance operational productivity.

The Group's employees are remunerated according to industry benchmarks, as well as prevailing market conditions, their experience and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Bonuses and rewards may be awarded to employees based on performance evaluation, with an aim to encourage and reward staff for superior performance. The Group also provides eligible employees with other benefits including medical insurance and a retirement scheme.

The Group recognises the importance of having high caliber employees. Hence, in order to prepare its workforce for the future, the Group will continue to offer training programs at all levels of employment on an ongoing basis. The aim of these programs is to cultivate a dynamic corporate culture and to develop effective communication and customer service skills. Close monitoring of daily operations will also be reinforced to ensure high operational efficiency and good performance from all employees.

LIQUIDITY AND CAPITAL RESOURCES

The Group met usual course of business funding requirements through cash flow generated from operations and existing banking facilities. The Board believes that the Group is in a healthy financial position and has sufficient resources to support its operational requirements.

During the year ended 31 December 2013, the Group's net cash inflow generated from operating activities was approximately HK$509 million. As at 31 December 2013, the Group's inventory level increased to approximately HK$786 million as compared to approximately HK$760 million as at 31 December 2012.

As at 31 December 2013, bank borrowings from the Group amounted to approximately HK$1,010 million. Most of the bank borrowings were sourced from Hong Kong, with 59% denominated in Hong Kong dollars and 41% denominated in United States dollars. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 31 December 2013, the Group's bank balances and cash amounted to approximately HK$470 million, of which 48% was denominated in Renminbi, 23% in United States dollars, 18% in Hong Kong dollars, 10% in Euros and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during the period, and as such, as at 31 December 2013, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary and usual course of business) over total equity, decreased to 43% (31 December 2012: 66%) and its current ratio was 0.90 (31 December 2012: 0.93). The Board considers these ratios to be at healthy and acceptable levels.

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were denominated in United States dollars, Renminbi, Euros or Hong Kong dollars; as such, the Group does not foresee significant exposure to exchange rate risks in this respect. The Board will continue to monitor the Group's overall exposure to foreign exchange and will consider hedging significant foreign currency risks, should the need arise.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") 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") during the year ended 31 December 2013, except the following:

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. However, Mr. Zhou Yucheng (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on 15 May 2013 and Mr. Zhou Yucheng, Mr. Ying Wei, Dr. Yuen Ming Fai and Dr. Keung Wing Ching (each an Independent Non-executive Director), were unable to attend the special general meeting of the Company held on 6 December 2013 due to their respective unavoidable business engagement.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All the Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the code of conduct regarding securities transactions by the Directors adopted by the Company during the year ended 31 December 2013.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Company for the year ended 31 December 2013. The figures contained in the financial information set out in pages 1 to 12 of this announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

ANNUAL REPORT

The Annual Report for the year ended 31 December 2013 will be despatched to shareholders and will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) as well as the website of the Company (www.fongs.com) in due course.

On behalf of the Board
CHTC Fong's Industries Company Limited
Shi Tinghong
Chairman

Hong Kong, 28 March 2014

As at the date of this announcement, our Chairman and Executive Director is Mr. Shi Tinghong; our Vice-Chairman and Non-executive Director is Mr. Ye Maoxin; our other Executive Directors are Mr. Ji Xin (Chief Executive Officer), Mr. Wan Wai Yung and Mr. Fong Kwok Leung, Kevin; and our Independent Non-executive Directors are Mr. Zhou Yucheng, Mr. Ying Wei, Dr. Yuen Ming Fai and Dr. Keung Wing Ching.