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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of CHTC Fong's Industries Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,592,365**	1,735,688
Cost of sales		**(1,099,477)**	(1,182,144)
Gross profit		**492,888**	553,544
Interest income		**1,045**	683
Other income		**2,889**	8,167
Other gains and losses	*6*	**(10,421)**	(1,043)
Selling and distribution costs		**(129,837)**	(145,991)
General and administrative expenses		**(251,477)**	(250,125)
Other expenses		**(52,795)**	(58,535)
Finance costs	*5*	**(22,197)**	(26,805)
Share of results of an associate		**–**	(3,681)
Profit before tax	*6*	**30,095**	76,214
Income tax expense	*7*	**(18,258)**	(25,815)
Profit for the period		**11,837**	50,399

	Notes	For the six months ended 30 June **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*
Other comprehensive income (expense), net of tax			
Item that will not be reclassified to profit or loss:			
Increase in share option reserve		**656**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**7,906**	(38,472)
Other comprehensive income (expense) for the period		**8,562**	(38,472)
Total comprehensive income for the period		**20,399**	11,927
Profit (loss) for the period attributable to:			
Equity shareholders of the Company		**12,020**	50,408
Non-controlling interests		**(183)**	(9)
		11,837	50,399
Total comprehensive income (expense) for the period attributable to:			
Equity shareholders of the Company		**20,581**	11,949
Non-controlling interests		**(182)**	(22)
		20,399	11,927
		HK cents	*HK cents* (Restated)
Earnings per share			
Basic	*8(a)*	**1.09**	4.57
Diluted	*8(b)*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	At 30 June 2015 (unaudited) HK$'000	At 31 December 2014 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**556,881**	564,553
Prepaid lease payments		**250,131**	252,292
Goodwill		**533,515**	533,515
Intangible assets		**96,155**	96,531
Deposits for acquisition of property, plant and equipment		**1,547**	1,499
Deposits for acquisition of leasehold land		**8,074**	8,047
Deferred tax assets		**16,437**	16,468
		1,462,740	1,472,905
Current assets			
Inventories		**826,851**	772,741
Trade and other receivables	*9*	**633,441**	540,888
Prepaid lease payments		**5,714**	5,696
Tax recoverable		**597**	927
Cash and cash equivalents		**434,884**	495,565
		1,901,487	1,815,817
Asset classified as held for sale		**34,751**	34,751
		1,936,238	1,850,568
Current liabilities			
Trade and other payables	*10*	**703,001**	699,710
Warranty provision		**12,574**	17,560
Tax liabilities		**24,718**	28,311
Borrowings		**1,225,465**	1,139,408
		1,965,758	1,884,989
Net current liabilities		**(29,520)**	(34,421)
Total assets less current liabilities		**1,433,220**	1,438,484

	Note	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
Non-current liabilities			
Deferred revenue		**4,718**	5,077
Deferred tax liabilities		**21,321**	18,785
Other payable		**123,942**	124,210
		149,981	148,072
Net assets		**1,283,239**	1,290,412
Capital and reserves			
Equity attributable to equity shareholders of the Company			
Share capital	*11*	**55,145**	55,145
Share premium and reserves		**1,227,940**	1,234,931
		1,283,085	1,290,076
Non-controlling interests		**154**	336
Total equity		**1,283,239**	1,290,412

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's parent company is China Hi-Tech Holding Company Limited, a company incorporated in Hong Kong, and its ultimate holding company is China Hi-Tech Group Corporation (中國恒天集團有限公司), a company established in the People's Republic of China (the "PRC"). China Hi-Tech Group Corporation (中國恒天集團有限公司) is a state-owned enterprise under the direct supervision and administration of, and is beneficially owned by, the State-Owned Assets Supervision and Administration Committee of the State Council of the PRC.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and the manufacture and sale of stainless steel casting products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. 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. 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 six months ended 30 June 2015 (unaudited)

	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	**1,124,090**	**197,073**	**271,202**	**1,592,365**
Inter-segment sales	**3,516**	**95,692**	**13,433**	**112,641**
Segment revenue	**1,127,606**	**292,765**	**284,635**	**1,705,006**
Elimination				**(112,641)**
Group revenue				**1,592,365**
Results				
Segment profit	**20,878**	**2,758**	**27,611**	**51,247**
Interest income				**1,045**
Finance costs				**(22,197)**
Profit before tax				**30,095**

For the six months ended 30 June 2014 (unaudited)

	Manufacture and sale of dyeing and finishing machines	Trading of stainless steel supplies	Manufacture and sale of stainless steel casting products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
External sales	1,287,996	209,205	238,487	1,735,688
Inter-segment sales	11,345	161,080	17,114	189,539
Segment revenue	1,299,341	370,285	255,601	1,925,227
Elimination				(189,539)
Group revenue				1,735,688
Results				
Segment profit	71,834	11,943	22,240	106,017
Interest income				683
Finance costs				(26,805)
Share of results of an associate				(3,681)
Profit before tax				76,214

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 and share of results of an associate. 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 PRC and Germany.

The Group's revenue from external customers by location of customers is detailed below:

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
The PRC	**578,392**	775,615
Hong Kong	**226,644**	238,422
Asia Pacific (other than the PRC and Hong Kong)	**371,286**	247,805
Europe	**227,587**	262,226
North and South America	**131,243**	113,732
Others	**57,213**	97,888
	1,592,365	1,735,688

5. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**16,400**	18,944
Bank charges	**5,797**	7,861
	22,197	26,805

6. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Other gains and losses:		
Loss (gain) on disposal of property, plant and equipment	**1,813**	(613)
Foreign exchange loss, net	**8,608**	1,656
Total other gains and losses	**10,421**	1,043
Depreciation and amortisation:		
Amortisation of intangible assets	**376**	1,823
Amortisation of prepaid lease payments	**2,963**	2,731
Depreciation of property, plant and equipment	**44,818**	46,901
Total depreciation and amortisation	**48,157**	51,455

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current period	**3,263**	4,140
Overprovision in prior years	**(3,796)**	–
PRC Corporate Income Tax:		
Current period	**16,512**	16,060
(Over) underprovision in prior years	**(1,080)**	694
Overseas income tax:		
Current period	**823**	54
	15,722	20,948
Deferred tax	**2,536**	4,867
Income tax expense	**18,258**	25,815

8. EARNINGS PER SHARE

(a) Basic earnings per share:

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

	For the six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period attributable to equity shareholders of the Company for the purpose of basic earnings per share	**12,020**	50,408
	'000	*'000*
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**551,446**	551,446
Effect of share subdivision	**551,446**	551,446
Weighted average number of ordinary shares	**1,102,892**	1,102,892

(b) Diluted earnings per share:

Diluted earnings per share is not shown for the six months ended 30 June 2015 as all the potential ordinary shares (share options) issued during the six months ended 30 June 2015 are anti-dilutive. The computation of diluted earnings per share for the six months ended 30 June 2015 does not assume the exercise of the Company's outstanding share options as the exercise prices were higher than the average market price of the Company's ordinary shares and also the performance conditions for the exercise of the share options were not met.

No adjustment has been made to the basic earnings per share for the six months ended 30 June 2014 in respect of dilution as the Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2014.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
Trade receivables	**372,565**	303,886
Less: Allowance for doubtful debts	**(5,972)**	(7,423)
	366,593	296,463
Bills receivables	**141,259**	150,789
	507,852	447,252
Other receivables	**125,589**	93,636
Total trade and other receivables	**633,441**	540,888

The Group allows an average credit period of 60 days (2014: 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:

	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
0-60 days	**398,937**	356,910
61-90 days	**81,771**	71,007
Over 90 days	**27,144**	19,335
	507,852	447,252

10. TRADE AND OTHER PAYABLES

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

	At 30 June 2015 (unaudited) *HK$'000*	At 31 December 2014 (audited) *HK$'000*
0-90 days	**123,648**	101,602
91-120 days	**17,100**	16,859
Over 120 days	**10,093**	11,906
	150,841	130,367

The average credit period on purchase of goods is 90 days (2014: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

11. SHARE CAPITAL

		At 30 June 2015	**(unaudited)**	At 31 December 2014	(audited)
	Notes	***No. of shares***	***HK$'000***	*No. of shares*	*HK$'000*
Authorised:					
Ordinary shares	*(i)*	**2,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:					
At 1 January		**551,446,285**	**55,145**	551,446,285	55,145
Share subdivision	*(i)*	**551,446,285**	**–**	–	–
At 30 June/31 December		**1,102,892,570**	**55,145**	551,446,285	55,145

Note:

(i) Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 21 May 2015, each of the existing issued and unissued share of par value of HK$0.10 in the share capital of the Company has been subdivided into two shares of par value of HK$0.05 each with effect from 22 May 2015. Upon the share subdivision became effective on 22 May 2015, the authorised share capital of the Company becomes HK$100,000,000 divided into 2,000,000,000 subdivided shares of HK$0.05 each, of which 1,102,892,570 subdivided shares were in issue and fully paid.

INTERIM DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 30 June 2015 (for six months ended 30 June 2014: 1.5* HK cents per share).

Note: * The dividend per share was adjusted for the effect of share subdivision (one into two) effective in May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

In the first half of 2015, the global economy was facing downward pressures and the overall business environment did not see much improvement, the Group recorded a decrease in revenue and profit as compared with the same period of last year. For the six months ended 30 June 2015, the Group recorded revenue of approximately HK$1,592,000,000, representing a decrease of 8% as compared to approximately HK$1,736,000,000 in the corresponding period of last year. Profit for the period decreased by 77% from approximately HK$50,000,000 in the corresponding period of last year to approximately HK$12,000,000. Basic earnings per share were 1.09 HK cents for the period as compared to basic earnings per share of 4.57 HK cents (restated) for the corresponding period of last year.

Dyeing and Finishing Machine Manufacturing

The first half of 2015 was still full of challenges for the equipment manufacturing sector. Overall, the global macro economy remains volatile and uncertain, which has continued to impact the Chinese export on textiles and apparels. Additionally, as enterprises in mainland China have continued to suffer from financing difficulties and high lending rates while human resources costs keep rising every year, investment confidence levels as well as expansion progress of some enterprises were inevitably impacted, resulting in reduced purchasing of industrial manufacturing equipment, including dyeing and finishing machines. As to the overseas markets, the weakness of the Euro diminished the price competitiveness of the Group's products manufactured in the PRC when entering into the European market. Emerging markets such as India, Brazil and Indonesia were prudent in investing production equipment quoted in US dollars due to the substantial depreciation of their currencies.

For the six months ended 30 June 2015, this business segment recorded revenue of approximately HK$1,124,000,000, accounting for 71% of the Group's revenue and representing a decrease of 13% from approximately HK$1,288,000,000 in the corresponding period of last year. In particular, combined sales from Hong Kong and the PRC markets were approximately HK$569,000,000, representing a decrease of 26% from approximately HK$769,000,000 recorded in the corresponding period of last year. However, sales from overseas markets were approximately HK$555,000,000, up by 7% from approximately HK$519,000,000 in the corresponding period of last year. The segment reported a decrease in operating profit from approximately HK$72,000,000 in the corresponding period of last year to approximately HK$21,000,000.

In response to the severe challenges, the Group will continue to streamline its business process to improve overall operating performance and productivity; maintain its commitment to employing stringent controls over inventory and operating costs, while continuing to develop innovative products and improve service quality to create value for its customers; explore new markets and sales channels to expand the Group's customer base and the market share of its products, all in an effort to maintain leading position in the market and pave way for further business development.

Construction of Phase II of the new production plant of the Group located at Linhai Industrial Park, Tsui Hang New District, Zhongshan City, Guangdong Province is scheduled to be completed in early 2017. The Group's production capacity is expected to double upon full operation of the plant. The new Zhongshan plant will be keen on energy conservation, production efficiency and high efficiency in the design of production processes and will apply more automated processes to reduce manpower requirement and labour costs.

At the mean time, Chinese government has launched various new strategies, including "One Belt and One Road" and "Made in China 2025", which would help drive technology transformation of traditional industries and the economic growth in the long run, while providing new opportunities to the Group's medium to long-term development. The Board believes that the Group has laid a solid foundation for its mission to be "a world-class manufacturer of dyeing and finishing machinery". By exceling ourselves and striving to provide more advanced, efficient, energy-saving and high-quality products and integrated solutions for our customers, we will seize various opportunities in a pragmatic manner to make the Group bigger and stronger.

Stainless Steel Trading

The stainless steel market remained flat over recent years, with a relatively low gross profit margin from stainless steel distribution. Over the recent years, the Group has been cautious in its stainless steel trading business in order to reduce sales risk from fluctuations in stainless steel prices. For the six months ended 30 June 2015, this business segment recorded revenue of approximately HK$197,000,000, accounting for 12% of the Group's revenue, representing a decrease of 6% compared to approximately HK$209,000,000 for the corresponding period of last year. Operating profit for the period amounted to approximately HK$3,000,000 as compared to the profit of approximately HK$12,000,000 for the corresponding period of last year.

The Group will continue to adopt a prudent approach in running this business. It will take appropriate actions to mitigate market risks, adjust selling prices and the level of inventories appropriately and in a timely manner based on market analysis and its judgment, in order to improve the inventory turnover ratio while minimising the risk on price fluctuations. At the same time, the Group will strengthen the credit management of sales and trade receivables in order to lower the risk of bad debts and improve its cash flow.

The construction industry in Hong Kong is booming as more major infrastructure projects commenced, which, coupled with the accelerated pace of urbanisation and construction of infrastructure in the PRC, will present opportunities to the stainless steel trading business. Therefore, the Group remains optimistic on the prospect of the stainless steel trading business. The Group will closely monitor and response to market changes to maintain steady growth in this business segment.

Stainless Steel Casting

The products of this business segment are primarily high-quality castings and machined processing parts made of stainless steel, dual-phase steel and nickel-based alloys that are widely used in large industrial facilities, such as valves, pumps, chemical, oil and gas and food processing machines, with customers principally hailing from Europe, the United States and Japan. The stainless steel casting business maintained a steady flow of orders from its major customers thanks 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 stainless steel casting business segment recorded improvement in its overall gross profit margin.

For the first half of 2015, this business segment reported satisfactory performance and the results were in line with targets. Revenue for the period amounted to approximately HK$271,000,000, accounting for 17% of the Group's revenue and representing an increase of 14% compared to approximately HK$238,000,000 in the corresponding period of last year. Operating profit increased by 27% from approximately HK$22,000,000 in the corresponding period of last year to approximately HK$28,000,000.

The management believes that market demand for high-quality stainless steel castings will continue to grow. Given the above measures implemented and the stabilisation of the global economy and market, the management is confident that in the mid to long term, this business segment will maintain steady revenue growth and make good contribution to the Group's profit.

Significant Acquisition or Disposal of Assets

On 31 August 2014, the Group entered into a conditional agreement with Hengtian Real Estate Company Limited（恒天地產有限公司）, a company owned as to 47.35% by China Hi-Tech Group Corporation（中國恒天集團有限公司）, the controlling shareholder of the Company, to sell its entire 30% equity interest in Foshan East Asia Co., Ltd.（佛山東亞股份有限公司）("Foshan East Asia") at a consideration of RMB150,000,000 (the "Disposal"). For more details of the Disposal, please refer to the Company's announcement dated 31 August 2014 and the Company's circular dated 31 October 2014. The Disposal constitutes a discloseable and connected transaction for the Company and has been approved by the independent shareholders of the Company at the special general meeting held on 18 November 2014 and by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Pursuant to the terms of the agreement, the Disposal shall be completed on or before 18 November 2015. As of the date hereof, the Disposal has not been completed. Upon completion of the Disposal, Foshan East Asia will cease to be an associate of the Company and the Group is expected to record a gain on disposal of approximately RMB115,000,000 (subject to audit), which was determined with reference to the consideration less investment costs, estimated tax payable and certain accounting adjustments.

On 25 June 2015, the Group entered into a conditional agreement with two independent third-parties to acquire 100% of the paid-up registered capital of Foshan City Chanhuade Information Technology Limited（佛山市禪華德信息科技有限公司）(the "Target") at a total consideration of RMB146,139,690 (the "Acquisition"). For more details of the Acquisition, please refer to the Company's announcement dated 25 June 2015 and the Company's circular dated 24 July 2015. The Acquisition constitutes a discloseable and connected transaction for the Company and has been approved by the independent shareholders of the Company at the special general meeting held on 11 August 2015. The Target's major asset is its holding of 13.26% paid-up registered capital of Hengtian Real Estate Company Limited（恒天地產有限公司）. Hengtian Real Estate Company Limited（恒天地產有限公司）is a company incorporated in the PRC and is principally engaged in real estate development with a number of property development projects in various provinces and cities in the PRC. The Board feels confident about the overall property market in the PRC. Taking into account the development opportunities and potential of the property development portfolio held by Hengtian Real Estate Company Limited（恒天地產有限公司）, the Board believes that the above Acquisition will provide an alternative source of income going forward, hence improving the profitability of the Group. Pursuant to the terms of the agreement, the Acquisition shall be completed within six months after fulfilment of the conditions precedent under the agreement. As of the date hereof, the Acquisition has not yet been completed.

Save as disclosed above, the Group did not have other significant investment, acquisition or disposal during the period under review.

Human Resources

As at 30 June 2015, the Group had a total of approximately 4,620 employees (31 December 2014: approximately 4,540 employees) across mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, Thailand, India, Turkey and Central and South America. In the first half of 2015, staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits scheme) amounted to approximately HK$186,000,000 (the first half of 2014: HK$190,000,000), accounting for approximately 12% of our revenue. The Group will continue to monitor the market situation and consolidate its human resource and labour structure in order to utilise manpower more efficiently and enhance operational productivity.

The Group has always placed great importance on human resources and considers that competitive remuneration is an essential factor that motivates employees at all levels to be dedicated to their work and to provide customers with high-quality products and services. The Group's employees are remunerated according to industry benchmarks, prevailing market conditions, their experiences and performance. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies, retirement benefits scheme or Mandatory Provident Fund Schemes.

The Group recognises the importance of having high caliber employees. Therefore, the Group will continue to offer appropriate training programs to employees at all levels on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

Liquidity and Capital Sources

Given continuously increasing cost pressure, the Group strictly implemented prudent cost and cash flow management. During the period, the Group met its funding requirements for its ordinary and normal course of business with 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 operation.

During the six months period ended 30 June 2015, the Group's net cash outflow used in operating activities was approximately HK$60,000,000. As of 30 June 2015, the Group's inventory level increased to approximately HK$827,000,000 as compared to approximately HK$773,000,000 as of 31 December 2014.

As at 30 June 2015, bank borrowings of the Group amounted to approximately HK$1,118,000,000. Most of the bank borrowings were sourced from Hong Kong, with 51% denominated in Hong Kong dollars, 48% in United States dollars and 1% in Euros. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 30 June 2015, the Group's bank balances and cash amounted to approximately HK$435,000,000, of which 47% was denominated in Renminbi, 34% in United States dollars, 15% in Hong Kong dollars, 3% in Euros and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during the period. As of 30 June 2015, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 53% (31 December 2014: 41%) and its current ratio was 0.99 (31 December 2014: 0.98). The Board considers these ratios to be at healthy and appropriate levels.

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were denominated in Renminbi, United States dollars, Euros or Hong Kong dollars. As such, the Group does not foresee significant exposure to exchange rate risks. The Board will continue to monitor the Group's overall exposure to foreign exchange risks 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

MODEL CODE FOR 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 six months ended 30 June 2015.

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company has complied with all of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save and except for the deviations from the code provision A.6.7.

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ye Maoxin (a Non-executive Director) was unable to attend the annual general meeting and special general meeting of the Company held on 21 May 2015 as he had other business engagement. Mr. Zhou Yucheng ("Mr. Zhou") (the ex-Independent Non-executive Director), was unable to attend the annual general meeting of the Company held on 21 May 2015 as he had other business engagement.

As disclosed in the previous announcement of the Company dated 21 May 2015, Mr. Zhou retired as an Independent Non-executive Director at the conclusion of the annual general meeting of the Company held on 21 May 2015. Upon his retirement, Mr. Zhou also ceased to be the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Li Jianxin, an Independent Non-executive Director, has been appointed as the chairman of the Remuneration Committee of the Company in place of Mr. Zhou with effect from 21 May 2015.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference based upon the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and internal control procedures of the Group. The Audit Committee currently comprises three Independent Non-executive Directors of the Company, namely Mr. Ying Wei (committee chairman), Dr. Yuen Ming Fai and Mr. Li Jianxin.

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee, which is of the opinion that such statements complied with the applicable accounting standards, Listing Rules and legal requirements, and that adequate disclosures have been made.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fongs.com). The Interim Report of the Company for the six months ended 30 June 2015 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 28 August 2015

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