



## CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

# TAKE FURTHER CHALLENGES AND REACH NEW HEIGHTS

In the field of innovative technology, the CHTC FONG'S one-stop solution for smart dyeing and finishing provides new possibilities.

Let's work hand-in-hand with mutual advancement, and position for the next phase of transformation and upgrade of the industry.

Interim Report 2022

## CONTENTS

	<i>Pages</i>
Corporate Information	2
Financial Highlights	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4-5
Condensed Consolidated Statement of Financial Position	6-7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10-24
Management Discussion and Analysis	25-30
Other Information	31-34



## CORPORATE INFORMATION

### CHAIRMAN EMERITUS

Mr. Fong Sou Lam

### BOARD OF DIRECTORS Executive Directors

Mr. Ye Maoxin (*Chairman*)

Mr. Guan Youping (*General Manager*)

Mr. Chen Peng

Ms. Guo Yunfei (*Financial Controller*)

### Non-executive Director

Mr. Fong Kwok Leung, Kevin

### Independent Non-executive Directors

Mr. Tong Wing Chi

Dr. Jiang Gaoming

Mr. Li Jianxin

### COMPANY SECRETARY

Mr. Lee Che Keung

### AUTHORISED REPRESENTATIVES

Mr. Chen Peng

Mr. Lee Che Keung

### AUDIT COMMITTEE

Mr. Tong Wing Chi (*Committee Chairman*)

Dr. Jiang Gaoming

Mr. Li Jianxin

### REMUNERATION COMMITTEE

Mr. Li Jianxin (*Committee Chairman*)

Mr. Ye Maoxin

Mr. Guan Youping

Mr. Tong Wing Chi

Dr. Jiang Gaoming

### NOMINATION COMMITTEE

Mr. Ye Maoxin (*Committee Chairman*)

Mr. Guan Youping

Mr. Tong Wing Chi

Dr. Jiang Gaoming

Mr. Li Jianxin

### LEGAL ADVISER

Reed Smith Richards Butler *LLP*

### AUDITOR

PKF Hong Kong Limited

### PRINCIPAL BANKERS IN HONG KONG

Chong Hing Bank Limited

The Hongkong and Shanghai Banking  
Corporation Limited

United Overseas Bank Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

### PRINCIPAL BANKERS IN THE PEOPLE'S REPUBLIC OF CHINA

Industrial Bank Co., Ltd.

Bank of China Limited

China Everbright Bank Co., Ltd.

Industrial and Commercial Bank of  
China Limited

### BERMUDA PRINCIPAL REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor, North Cedar House,

41 Cedar Avenue, Hamilton HM 12, Bermuda

### HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

17/F., Far East Finance Centre,

16 Harcourt Road, Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

### REGISTERED OFFICE

5th Floor, Victoria Place, 31 Victoria Street,  
Hamilton HM 10, Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 13, Tower 2, Kowloon Commerce Centre,  
51 Kwai Cheong Road, Kwai Chung,

Hong Kong

Tel: (852) 2497 3300

Fax: (852) 2432 2552

### WEBSITE ADDRESS

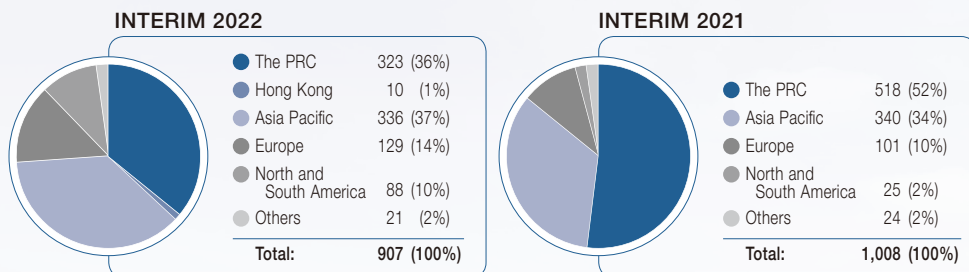
<http://www.fongs.com>

## FINANCIAL HIGHLIGHTS

### REVENUE BY BUSINESS SEGMENT (HK\$ MILLION)

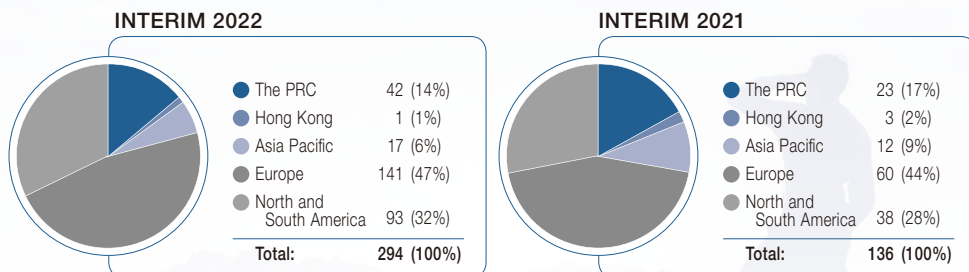
#### Manufacture and Sale of Dyeing and Finishing Machines

By geographical region



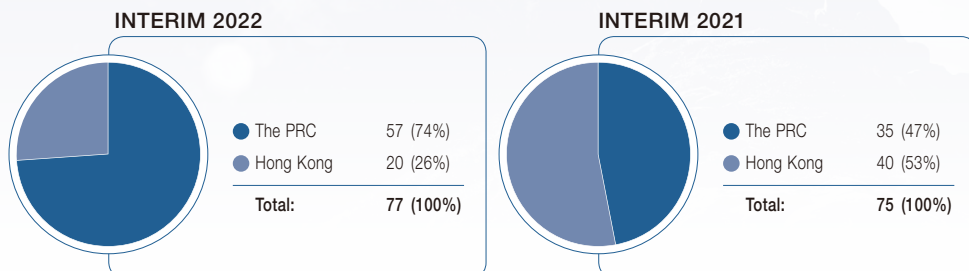
#### Manufacture and Sale of Stainless Steel Casting Products

By geographical region



#### Trading of Stainless Steel Supplies

By geographical region



The board of directors (the “**Board**”) of CHTC Fong’s International Company Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 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 2022

		For the six months ended 30 June	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
	Note		
<b>Continuing operations</b>			
Revenue	4	1,277,810	1,219,550
Cost of sales		(962,080)	(913,990)
<b>Gross profit</b>		<b>315,730</b>	305,560
Interest income		268	778
Other income		14,890	14,477
Other gains	6	29,680	1,531
Selling and distribution costs		(135,645)	(115,489)
Administrative and other expenses		(267,187)	(277,347)
Finance costs	5	(27,161)	(28,233)
Share of results of an associate		(3,433)	(1,203)
<b>Loss before tax</b>	6	<b>(72,858)</b>	(99,926)
Income tax expense	7	(2,162)	(11,011)
<b>Loss for the period from continuing operations</b>		<b>(75,020)</b>	(110,937)
<b>Discontinued operation</b>			
Loss for the period from a discontinued operation	8	–	(9,975)
<b>Loss for the period</b>		<b>(75,020)</b>	(120,912)
<b>Other comprehensive income (expense), net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation		(80,118)	31,642
Share of translation reserve of an associate		(1,006)	543
Other comprehensive income (expense) for the period		<b>(81,124)</b>	32,185
<b>Total comprehensive expense for the period</b>		<b>(156,144)</b>	(88,727)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
	Note		
<b>Loss for the period attributable to owners of the Company:</b>			
– from continuing operations		(75,020)	(110,937)
– from a discontinued operation		–	(3,575)
		<b>(75,020)</b>	<b>(114,512)</b>
<b>Profit (loss) for the period attributable to non-controlling interests:</b>			
– from continuing operations		32	–
– from a discontinued operation		–	(6,400)
		<b>32</b>	<b>(6,400)</b>
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		(157,570)	(82,327)
Non-controlling interests		1,426	(6,400)
		<b>(156,144)</b>	<b>(88,727)</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share</b>			
From continuing and discontinued operations			
Basic and diluted	9	(6.82)	(10.40)
From continuing operations			
Basic and diluted	9	(6.82)	(10.08)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	1,695,919	1,805,194
Investment properties		142,589	144,000
Right-of-use assets		23,640	28,782
Prepaid lease payments		198,794	209,726
Goodwill		533,515	533,515
Intangible assets		92,618	92,755
Financial assets at fair value through other comprehensive income		109,106	114,087
Investment in an associate		24,059	28,472
Deposits for acquisition of property, plant and equipment		4,121	4,587
Deposits for acquisition of leasehold land		54,716	57,214
Other assets		43,205	45,177
Deferred tax assets		12,440	12,574
		<b>2,934,722</b>	<b>3,076,083</b>
<b>Current assets</b>			
Inventories		603,322	623,680
Trade and other receivables	12	550,397	413,274
Tax recoverable		6,134	6,069
Cash and bank balances		410,921	288,519
		<b>1,570,774</b>	<b>1,331,542</b>
Assets of a disposal group classified as held for sale	8	84,299	88,155
		<b>1,655,073</b>	<b>1,419,697</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2022

	Note	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	13	1,192,856	960,207
Contract liabilities		301,720	300,795
Warranty provision		10,104	10,586
Lease liabilities		7,648	8,092
Tax liabilities		123,851	126,993
Bank and other borrowings	14	1,144,355	1,099,158
		<b>2,780,534</b>	2,505,831
Liabilities of a disposal group classified as held for sale	8	35,020	36,944
		<b>2,815,554</b>	2,542,775
<b>Net current liabilities</b>		<b>(1,160,481)</b>	(1,123,078)
<b>Total assets less current liabilities</b>		<b>1,774,241</b>	1,953,005
<b>Non-current liabilities</b>			
Deferred revenue		64,424	69,261
Deferred tax liabilities		33,697	35,682
Lease liabilities		17,293	22,089
		<b>115,414</b>	127,032
<b>Net assets</b>		<b>1,658,827</b>	1,825,973
<b>Capital and reserves</b>			
<b>Total equity attributable to owners of the Company</b>			
Share capital	15	55,011	55,011
Share premium and reserves		1,635,456	1,804,028
		<b>1,690,467</b>	1,859,039
<b>Non-controlling interests</b>		<b>(31,640)</b>	(33,066)
<b>Total equity</b>		<b>1,658,827</b>	1,825,973



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Capital redemption reserve	Fair value reserve			Contributed surplus	Subtotal	Non-controlling interests	Total
				(non-recycling)	Translation reserve	Retained profits				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022	55,011	152,122	2,504	(77,315)	129,242	1,571,893	25,582	1,859,039	(33,066)	1,825,973
(Loss) profit for the period	-	-	-	-	-	(75,052)	-	(75,052)	32	(75,020)
Other comprehensive income (expense) for the period, net of tax	-	-	-	-	(82,518)	-	-	(82,518)	1,394	(81,124)
Total comprehensive income (expense) for the period	-	-	-	-	(82,518)	(75,052)	-	(157,570)	1,426	(156,144)
Final dividend for 2021 paid	-	-	-	-	-	(11,002)	-	(11,002)	-	(11,002)
At 30 June 2022	55,011	152,122	2,504	(77,315)	46,724	1,485,839	25,582	1,690,467	(31,640)	1,658,827
At 1 January 2021	55,011	152,122	2,504	(28,678)	74,383	1,493,477	25,582	1,774,401	(26,226)	1,748,175
Loss for the period	-	-	-	-	-	(114,512)	-	(114,512)	(6,400)	(120,912)
Other comprehensive income for the period, net of tax	-	-	-	-	32,185	-	-	32,185	-	32,185
Total comprehensive income (expense) for the period	-	-	-	-	32,185	(114,512)	-	(82,327)	(6,400)	(88,727)
At 30 June 2021	55,011	152,122	2,504	(28,678)	106,568	1,378,965	25,582	1,692,074	(32,626)	1,659,448

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Net cash (used in) generated from operating activities	<b>(262,947)</b>	24,580
Net cash used in investing activities	<b>(25,394)</b>	(38,856)
Net cash generated from (used in) financing activities	<b>416,373</b>	(50,533)
Net increase (decrease) in cash and cash equivalents	<b>128,032</b>	(64,809)
Cash and cash equivalents at beginning of the period	<b>288,541</b>	342,201
Effect of foreign exchange rate changes	<b>(5,631)</b>	1,747
Cash and cash equivalents at end of the period	<b>410,942</b>	279,139
Analysis of balances of cash and cash equivalents		
Continued operations		
Cash and bank balances	<b>410,921</b>	279,112
Discontinued operation		
Cash and bank balances	<b>21</b>	27

## 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 Directors of the Company (the “**Directors**”) consider that 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 National Machinery Industry Corporation (中國機械工業集團有限公司), a state-owned enterprise established in the People’s Republic of China (the “**PRC**”) under the direct supervision and administration of, and is beneficially owned by the State-owned Assets Supervision and Administration Commission 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, manufacture and sale of stainless steel casting products and trading of stainless steel supplies. The Group’s provision of environmental protection services was regarded as a discontinued operation.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements 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 unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

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 2022. HKFRSs comprise HKFRS, 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.

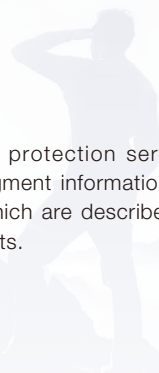
The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on 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 delivered or services provided, as follows:

1. Manufacture and sale of dyeing and finishing machines
2. Manufacture and sale of stainless steel casting products
3. Trading of stainless steel supplies

The operating segment regarding provision of environmental protection services was discontinued during the year ended 31 December 2020. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in Note 8 to the condensed consolidated financial statements.



## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results from continuing operations

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

For the six months ended 30 June 2022 (unaudited)

	Manufacture and sale of dyeing and finishing machines HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Trading of stainless steel supplies HK\$'000	Total HK\$'000
<b>Revenue</b>				
External sales	907,324	293,859	76,627	1,277,810
Inter-segment sales	–	7,842	43,748	51,590
Segment revenue	907,324	301,701	120,375	1,329,400
Elimination				(51,590)
Group revenue				1,277,810
<b>Results</b>				
Segment (loss) profit	(57,317)	14,435	350	(42,532)
Interest income				268
Finance costs				(27,161)
Share of results of an associate				(3,433)
Loss before tax from continuing operations				(72,858)

For the six months ended 30 June 2021 (unaudited)

	Manufacture and sale of dyeing and finishing machines HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Trading of stainless steel supplies HK\$'000	Total HK\$'000
<b>Revenue</b>				
External sales	1,008,476	135,922	75,152	1,219,550
Inter-segment sales	–	10,803	71,508	82,311
Segment revenue	1,008,476	146,725	146,660	1,301,861
Elimination				(82,311)
Group revenue				1,219,550
<b>Results</b>				
Segment (loss) profit	(66,606)	(7,118)	2,456	(71,268)
Interest income				778
Finance costs				(28,233)
Share of results of an associate				(1,203)
Loss before tax from continuing operations				(99,926)

## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results from continuing operations (Continued)

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 from continuing operations by location of customers is detailed below:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
The PRC	421,403	575,607
Hong Kong	31,013	42,809
Asia Pacific (other than the PRC and Hong Kong)	352,928	352,275
Europe	269,463	160,892
North and South America	180,589	63,644
Others	22,414	24,323
	<b>1,277,810</b>	<b>1,219,550</b>

## 5. FINANCE COSTS

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Continuing operations</b>		
Interest on borrowings	21,142	24,191
Interest on lease liabilities	342	327
Bank charges	5,677	3,715
	<b>27,161</b>	<b>28,233</b>

## 6. LOSS BEFORE TAX

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Continuing operations</b>		
Loss before tax has been arrived at after (crediting) charging:		
Other (gains) losses:		
(Gain) loss on disposal of property, plant and equipment	(145)	(5,228)
Foreign exchange (gain) loss, net	(29,535)	3,697
Total other gains	<b>(29,680)</b>	<b>(1,531)</b>
Depreciation and amortisation:		
Amortisation of intangible assets	137	137
Depreciation		
– owned assets	62,294	47,143
– right-of-use assets	12,289	14,734
Total depreciation and amortisation	<b>74,720</b>	<b>62,014</b>



## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Continuing operations</b>		
Hong Kong Profits Tax:		
Current period	2,071	1,309
Macau Profits Tax:		
Current period	1,192	–
PRC Corporate Income Tax:		
Current period	1,810	13,266
Over-provision in prior years	(1,020)	–
Overseas income tax:		
Current period	164	201
Under-provision in prior years	2	–
	4,219	14,776
Deferred tax	(2,057)	(3,765)
Income tax expense	2,162	11,011

## 8. DISCONTINUED OPERATION AND A DISPOSAL GROUP HELD FOR SALE

The results from the discontinued operation of the provision of environmental protection services for the periods ended 30 June 2022 and 2021, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income for the periods of six months ended 30 June 2022 and 2021, are as follows:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Other income	–	–
Administrative and other expenses	–	(350)
Loss on disposal of the disposal group	–	(9,625)
Loss before tax	–	(9,975)
Income tax expense	–	–
Loss for the period from a discontinued operation	–	(9,975)
Loss for the period from a discontinued operation attributable to:		
Owners of the Company	–	(3,575)
Non-controlling interests	–	(6,400)

The net cash flows incurred by the discontinued operation of the provision of environmental protection services for the periods of six months ended 30 June 2022 and 2021 are as follows:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Net cash generated from operating activities	–	3
Net cash from investing activities	–	–
Net cash from financing activities	–	–

## 8. DISCONTINUED OPERATION AND A DISPOSAL GROUP HELD FOR SALE (CONTINUED)

The major class of assets and liabilities of the disposal group classified as held for sale as at 30 June 2022 are as follows:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Assets of a disposal group classified as held for sale		
Property, plant and equipment	12	20
Trade and other receivables	84,266	88,113
Cash and bank balances	21	22
<b>Total assets of a disposal group classified as held for sale</b>	<b>84,299</b>	<b>88,155</b>
Total liabilities of a disposal group classified as held for sale		
Other payables	(35,020)	(36,944)



## 9. LOSS PER SHARE

### (a) From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(75,020)	(114,512)
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	1,100,217	1,100,217

Diluted loss per share for the periods ended 30 June 2022 and 2021 is same as the basic loss per share as the Group has no potential ordinary shares in issue during both periods.

### (b) From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Loss for the period attributable to owners of the Company	(75,020)	(114,512)
Less: Loss for the period from a discontinued operation attributable to owners of the Company	–	(3,575)
Loss for the period from continuing operations attributable to owners of the Company for the purpose of basic loss per share	(75,020)	(110,937)

The denominators used are the same as those detailed in Note 9(a) above for both basic and diluted loss per share.

## 9. LOSS PER SHARE (CONTINUED)

### (c) From a discontinued operations

The calculation of the basic loss per share from a discontinued operation attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Loss for the period from a discontinued operation attributable to owners of the Company	–	(3,575)

The denominators used are the same as those detailed in Note 9(a) above for both basic and diluted loss per share.

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Loss per share		
– Basic	<b>Nil HK cents</b>	(0.32) HK cents
– Diluted	<b>Nil HK cents</b>	(0.32) HK cents

## 10. DIVIDENDS

- (a) Dividends recognised as distribution during the period:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Final dividend for 2021 paid: 1 HK cent (2020: Nil HK cent) per share	<b>11,002</b>	–

- (b) The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, total cost of additions to property, plant and equipment of the Group was approximately HK\$12,553,000 (2021: HK\$134,399,000).

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Trade receivables	314,741	216,199
Less: Loss allowance	(3,936)	(3,883)
	<b>310,805</b>	212,316
Bills receivable	116,999	53,095
	<b>427,804</b>	265,411
Prepayments and other receivables	122,593	147,863
<b>Total trade and other receivables</b>	<b>550,397</b>	413,274

The Group allows an average credit period of 60 days (2021: 60 days) to its trade customers.

The following is an ageing analysis of trade receivables net of loss allowance presented based on the invoice date at the end of the reporting period:

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
0–60 days	273,511	158,553
61–90 days	1,960	19,429
Over 90 days	35,334	34,334
	<b>310,805</b>	212,316

### 13. TRADE AND OTHER PAYABLES

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Trade payables	283,304	312,758
Bills payables	68,753	59,932
Loan from intermediate holding company (Note i)	233,940	–
Loan from immediate holding company (Note ii)	135,000	–
Other payables and accrued charges	471,859	587,517
	<b>1,192,856</b>	960,207

Notes:

- (i) The loan is unsecured, interest bearing at a fixed rate of 5.22% per annum and repayable within one year.
- (ii) The loan is unsecured, interest bearing at a fixed rate of 4.3% per annum and repayable within one year.

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 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
0–90 days	217,167	217,512
91–120 days	27,255	10,481
Over 120 days	38,882	84,765
	<b>283,304</b>	312,758

The average credit period on purchase of goods is 90 days (2021: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.



## 14. BANK AND OTHER BORROWINGS

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Unsecured borrowings comprise the following:		
Bank loans	1,029,318	889,384
Trust receipts loans	10,146	19,755
Discounted bills with recourse	5,857	1,051
Other borrowings	99,034	188,968
	<b>1,144,355</b>	1,099,158
Carrying amounts repayable*:		
Within one year	453,624	161,689
	<b>453,624</b>	161,689
Carrying amounts of borrowings contain a repayment on demand clause that are repayable (shown under current liabilities)*:		
Within one year	463,731	495,692
More than one year, but not exceeding two years	111,000	261,777
More than two years, but not exceeding five years	116,000	180,000
	<b>690,731</b>	937,469
	<b>1,144,355</b>	1,099,158
Less: Amounts due within one year shown under current liabilities	<b>(1,144,355)</b>	(1,099,158)
Amounts shown under non-current liabilities	-	-

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 15. SHARE CAPITAL

	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:				
At 1 January 2021, 31 December 2021 and 30 June 2022	1,100,216,570	55,011	1,100,216,570	55,011

## 16. CAPITAL COMMITMENTS

	At 30 June 2022 (unaudited) HK\$'000	At 31 December 2021 (audited) HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	8,524	8,175
Leasehold land	111,395	116,480
	<b>119,919</b>	124,655

## 17. RELATED PARTY DISCLOSURES

The Group has entered into the following transactions with related parties during the period:

	For the six months ended 30 June	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
<b>Related parties in which a Director of the Company has significant influence</b>		
Purchase of materials	6,545	11,090
<b>Fellow subsidiaries</b>		
Rental income	78	78
Expenses paid	109	–
Purchase of materials	173	264
Sales of goods	7	82
<b>Immediate holding company</b>		
Other income received	1	1
Interest expense paid	2,364	2,799
Arrangement fee paid	–	1,230
<b>Intermediate holding company</b>		
Interest expense paid	1,846	–
<b>Associate</b>		
Sales of goods	11	29

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

During the first half of 2022, the COVID-19 pandemic has continued to exert a persistent impact on the global economy, together with the high logistics prices, resulting in higher operating costs. Competition has intensified as a result of weak market conditions. The performance of each of the Group's core businesses varied by markets and competitors, thus showing different segment results.

For the six months ended 30 June 2022, the Group recorded consolidated revenue of approximately HK\$1,278,000,000, representing a slight increase of 5% as compared to approximately HK\$1,220,000,000 in the corresponding period of last year. Loss attributable to owners of the Company was approximately HK\$75,000,000 (2021: loss of approximately HK\$115,000,000). Basic and diluted loss per share was 6.82 HK cents (2021: loss of 10.40 HK cents per share).

### Manufacture and sale of dyeing and finishing machines

Due to the COVID-19 pandemic, there is still much uncertainty in the global market. Many countries and regions around the world have adopted various anti-pandemic measures, including industrial and commercial suspensions, immigration restrictions and mandatory quarantine, etc. As a result, customers generally remained on the fence about investing in new equipment and delayed the progress of new projects, resulting in lower demand or delayed deliveries for the Group's dyeing and finishing machines business. Nevertheless, our orders from the dyeing and finishing machines business have picked up to the pre-pandemic level thanks to our management team's efforts. The main raw material for this business segment is stainless steel, the prices of which have been maintained on the rise since last year and now are fluctuating at high levels, affecting the costs of our products to a certain extent. Meanwhile, in the face of increasing market competition, the sales prices of our certain products failed to increase in line with the price increases in their raw materials and components, eventually placing great pressure on our profit margin.

For the six months ended 30 June 2022, this business segment recorded revenue of approximately HK\$907,000,000, accounting for 71% of the Group's revenue and representing a decrease of 10% from approximately HK\$1,008,000,000 in the corresponding period of last year. In particular, combined sales from Hong Kong and the Mainland China markets were approximately HK\$333,000,000, representing a decrease of 36% from approximately HK\$518,000,000 in the corresponding period of last year; while sales from overseas markets were approximately HK\$574,000,000, representing an increase of 17% from approximately HK\$490,000,000 in the corresponding period of last year. An operating loss of approximately HK\$57,000,000 was recorded for the period, compared to an operating loss of approximately HK\$67,000,000 for the corresponding period of last year. The operating condition for the period has improved as compared to the corresponding period of last year.

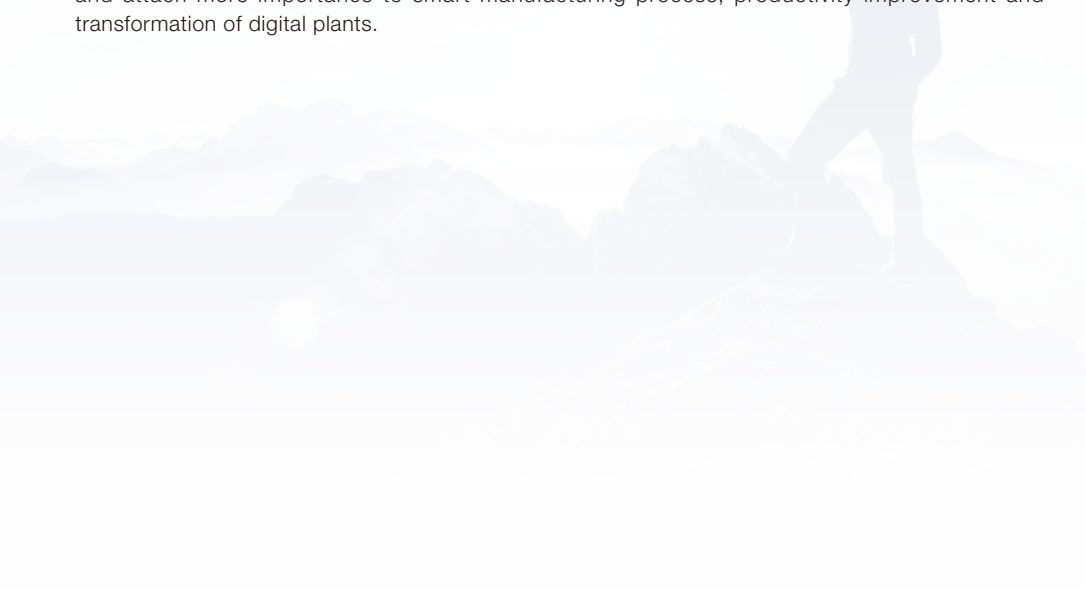
## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Manufacture and sale of dyeing and finishing machines (Continued)

In response to the challenging business environment, our management team has taken a series of operating cost and capital expenditure control measures as well as efforts to promote business recovery, so as to lower the breakeven point of operations. We will prioritise prudent auditing of our financial conditions, and conduct inventory control, control trade receivables strictly, reset assets more reasonably, so as to sustain sufficient cash flow. On the market side, we will strive to strengthen market promotion, focus on key projects, improve the added value of products, comprehensively strengthen our distribution channels in various countries, accelerate the development of potential customers, and realise the strategic expansion of emerging markets. In terms of internal management, we plan our production capacity to fit actual product demand, fine-tune and reinforce supply chain management capabilities, reduce various fees and expenditures, strengthen manufacturing process, optimise process structure and remove production bottlenecks so that we can respond rapidly to market changes.

As a leading manufacturer of dyeing and finishing equipment in the world, CHTC Fong's has been focusing on the research and development of dyeing and finishing machinery, and will continue to increase investment in technical research to provide customers with more cost-effective products. It is the Group's firm belief that customers ultimately care only for products that can solve real problems, alleviate real pain points, generate real benefits and bring about real, tangible financial returns.

In addition to meeting the individual needs of our customers, we look to standardise the production of components. At the same time, we should strengthen the management team to meet and adapt to the current reform and development needs. The Company will remain efficiency oriented and attach more importance to smart manufacturing process, productivity improvement and transformation of digital plants.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Manufacture and sale of stainless steel casting products

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 industrial equipment in industries such as valves, pumps, chemical, oil, natural gas and foods, with customers principally hailing from Europe, the United States and Japan.

As economic activities have picked up in the UK, the United States and Europe owing to the widespread vaccination and the pandemic was gradually under control, the demand for our products has a material growth. For the six months ended 30 June 2022, this business segment recorded revenue of approximately HK\$294,000,000, accounting for 23% of the Group's revenue and representing an increase of 116%, more than doubling as compared to approximately HK\$136,000,000 for the corresponding period of last year. Due to the increase in revenue, the operating profit for the period amounted to approximately HK\$14,000,000, while an operating loss of approximately HK\$7,000,000 was recorded for the corresponding period of last year.

Sales have begun to regain momentum since the latest quarter, and orders on hand of this business remain at relatively healthy status. The management team is in close contact with the existing and potential customers to maintain and strengthen the business relationship. The Group will also increase its efforts to implement its sales strategy, focusing on high profit margin products of different businesses and related industrial customers and the introduction of products with high added value to cater for customers' demands. Meanwhile, we will also proactively explore new markets to better promote our products to different markets. On the other hand, the Group will continue to strive to streamline the manufacturing process, further improve operational efficiency, optimise quality control and reduce production waste, so as to reduce operating costs and improve overall productivity.

The Group remains optimistic about this business segment. The Board believes that market demand for high-quality stainless steel casting products will continue to grow in the mid to long term. This business segment will maintain moderate revenue growth and make sustainable contribution to the Group's profit.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Trading of stainless steel supplies

In the first half of 2022, the COVID-19 pandemic was still evolving and affecting the macro economy. The implementation of measures to contain the epidemic in various countries has caused serious disruptions in the global raw material supply chain, logistics and transportation, which have influenced the Group's sales of stainless steel supplies. For the six months ended 30 June 2022, this business segment recorded revenue of approximately HK\$77,000,000, accounting for approximately 6% of the Group's revenue and representing a slight increase of 3% as compared to approximately HK\$75,000,000 in the corresponding period of last year. Operating profit for the period amounted to approximately HK\$350,000, while the operating profit for the corresponding period of last year was approximately HK\$2,500,000.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since the commencement of the business in 1988. As such, it is able to provide a diverse range of reliable and high-quality steel supplies to end- users, while procuring stainless steel raw materials for the Group's dyeing and finishing machines business in a more cost-effective way.

Looking forward to the second half of 2022, the price of stainless steel is expected to remain at relatively high levels with slight fluctuations. 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 inventory level 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 position.

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Environmental protection services (discontinued operation)

As mentioned in our Annual Report 2020, the operations of the kitchen wastes innocuous treatment projects and animal carcasses innocuous treatment projects under this business segment have been taken over by independent third parties who have assumed sole responsibilities for profits and losses. Therefore, in 2020, the Group has classified the provision of the non-core business of the environmental protection services as a discontinued operation and its financial position, results and cash flows are no longer reflected in the Company's consolidated financial statements.

With the discontinued operation of the environmental protection services business, the Group will focus its resources on core businesses, which will help improve the Group's anti-risk capacity and the stability of future business growth.

### Prospects

Looking ahead to 2022, the global market still faces many uncertainties under the COVID-19 pandemic, which brings multiple challenges to the Group, as well as market opportunities. The Group will continue to make every effort to develop new products, open up new markets to fulfill customer needs, and adhere to face challenges with the motto of "Confidence, Synergy, Change, Accomplishment". The management team of CHTC Fong's will continue to work together against all the difficulties and challenges, to enhance development for the Group, achieve dreams for the employees and bring returns for the shareholders. As an enterprise with nearly 60 years of glorified history, CHTC Fong's will achieve sustainable development and reach another peak, providing more delicate products for the customers and creating greater value for our shareholders, employees and society.

### Human resources

As at 30 June 2022, the Group had a total of approximately 3,200 employees (31 December 2021: approximately 3,400 employees) across Mainland China, Hong Kong, Macau, Germany, Switzerland, Austria, India and the United States. In the first half of 2022, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK\$371,000,000 (in the first half of 2021: approximately HK\$398,000,000), accounting for 29% (in the first half of 2021: 33%) of its 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 enhancing and optimising our 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 and contributions to retirement benefits schemes 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 and positions on an ongoing basis so as to improve staff's quality to better cope with the future development of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity and capital sources

The Group strictly implemented prudent cost and cash flow management in order to ensure the continuous operation of the Group. During the period, the Group met its funding requirements in ordinary and normal course of business with cash flow generated from operations, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, are adequate to satisfy the current operational requirements of the Group.

During the six months ended 30 June 2022, the Group's net cash outflow used in operating activities was approximately HK\$263,000,000. As at 30 June 2022, the Group's inventory level decreased to approximately HK\$603,000,000 as compared to approximately HK\$624,000,000 as at 31 December 2021.

As at 30 June 2022, bank and other borrowings of the Group amounted to approximately HK\$1,144,000,000. Most of the bank and other borrowings were sourced from Hong Kong, with 51% denominated in Hong Kong dollars, 48% in Renminbi and 1% in United States dollars. The Group's bank borrowings are predominantly subject to floating interest rates.

As at 30 June 2022, the Group's bank balances and cash amounted to approximately HK\$411,000,000, of which 58% was denominated in Renminbi, 17% in Euros, 13% in United States dollars, 11% in Hong Kong dollars and the remaining 1% in other currencies.

The Group has continued to maintain prudent financial management policies during the period. As at 30 June 2022, the Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, increased to 44% (31 December 2021: 42%) and its current ratio was 0.59 (31 December 2021: 0.56).

The Group's sales were principally denominated in Renminbi, United States dollars or Euros, while purchases were principally 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 exposure, should the need arise.

## DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Board reported below details of loan facilities which exist at any time during the six months ended 30 June 2022 and up to the date of this Interim Report and include covenants requiring specific performance obligations of the controlling shareholder of the Company.

- (i) On 1 June 2017, a wholly-owned subsidiary of the Company (as borrower) accepted the term loan facility of up to HK\$100 million offered by a bank. The term loan shall be repaid by seven quarterly instalments commencing 18 months after the date of drawdown. On 24 April 2019, the bank granted to the Group a new revolving short term advance facility of up to HK\$80 million for financing the general working capital requirements of the Group and a new 3-year term loan facility of up to HK\$70 million which shall be repaid by seven quarterly instalments commencing 18 months after the date of drawdown. The two term loans will be used for the construction cost of buildings and facilities as well as purchase of production equipment in respect of the new Zhongshan factory premises of the Group. The terms and conditions of the banking facilities include, inter alia, a condition that it will be an event of default if China Hi-Tech Group Corporation(中國恒天集團有限公司) ceases to maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the banking facilities.
- (ii) On 22 January 2018, certain indirect wholly-owned subsidiaries of the Company accepted the renewal of banking facilities to the extent of approximately HK\$451 million offered by a bank. The renewed banking facilities comprise an outstanding 3-year term loan of HK\$50 million (the principal loan amount was HK\$100 million) (the “**First Term Loan**”), an outstanding 3-year term loan of HK\$250 million (the “**Second Term Loan**”) and other trade-related facilities up to HK\$151 million. The banking facilities will be used for financing the general corporate funding requirements of the Group (including refinancing the existing loans and financing the construction of the buildings and facilities as well as purchase of production equipment in respect of the new Zhongshan factory premise of the Group). The First Term Loan of HK\$100 million has been drawn down in October 2015 and shall be repaid by four semi-annually Instalments commencing 18 months after the date of first drawdown. The Second Term Loan of HK\$250 million shall be repayable in full by seven quarterly instalments commencing 18 months after the date of first drawdown of each tranche. The terms and conditions of the banking facilities include, inter alia, a condition that China Hi-Tech Group Corporation(中國恒天集團有限公司) undertakes it will at all times maintain not less than 51% of shareholding (whether directly or indirectly) of the Company throughout the life of the banking facilities.

Save as disclosed above, the Directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30 June 2022 and as at the date of this Interim Report.

## DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 June 2022, the interests of the Directors and their associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

### Long position in shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Kwok Leung, Kevin	Beneficial owner	3,100,000	0.28%
	Held by spouse	200,000	0.02%
	Beneficiary of a discretionary trust ( <i>Note</i> )	174,904,220	15.90%
		178,204,220	16.20%

*Note:* Mr. Fong Kwok Leung, Kevin is a beneficiary of a discretionary trust which owns the entire share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 174,904,220 shares.

By virtue of the SFO, Mr. Fong Kwok Leung, Kevin is deemed to be interested in the 174,904,220 shares which the discretionary trust owns.

Save as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2022.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2022, the register maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company as follows:

### Long position in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China National Machinery Industry Corporation	Corporate interests ( <i>Note A</i> )	615,408,140	55.94%
Mr. Fong Sou Lam	Beneficial owner	20,000,000	1.82%
	Founder of a discretionary trust ( <i>Note B</i> )	174,904,220	15.90%
		194,904,220	17.72%

*Note A:* By virtue of the SFO, China National Machinery Industry Corporation is deemed to be interested in 615,408,140 shares held by its two wholly-owned subsidiaries as follows:

- (i) China Hi-Tech Holding Company Limited – 357,790,500 shares
- (ii) Newish Trading Limited – 257,617,640 shares

Mr. Ye Maoxin, Mr. Guan Youping and Ms. Guo Yunfei, all being Executive Directors of the Company, are the directors of China Hi-Tech Holding Company Limited.

*Note B:* Mr. Fong Sou Lam is the founder of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 174,904,220 shares.

By virtue of the SFO, Mr. Fong Sou Lam is deemed to be interested in the 174,904,220 shares which the discretionary trust owns.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## 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 2022.

## 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 2022.

## CORPORATE GOVERNANCE

During the six months ended 30 June 2022, 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.

## 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. Tong Wing Chi (committee chairman), Dr. Jiang Gaoming and Mr. Li Jianxin.

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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.

## MEMBERS OF THE BOARD

As at the date of this Interim Report, the Company's Executive Directors are Mr. Ye Maoxin (Chairman), Mr. Guan Youping (General Manager), Mr. Chen Peng and Ms. Guo Yunfei (Financial Controller); the Non-executive Director is Mr. Fong Kwok Leung, Kevin; and the Independent Non-executive Directors are Mr. Tong Wing Chi, Dr. Jiang Gaoming and Mr. Li Jianxin.

On behalf of the Board  
**Ye Maoxin**  
Chairman

Hong Kong, 26 August 2022