CHTC FONG'S INTERNATIONAL COMPANY LIMITED
中國恒天立信國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 641)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "**Board**") of CHTC Fong's International Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 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 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Continuing operations			
Revenue	3	**1,740,330**	2,488,688
Cost of sales		**(1,250,758)**	(1,845,243)
Gross profit		**489,572**	643,445
Interest income		**1,276**	1,256
Other income		**67,252**	43,879
Other gains		**7,472**	18,159
Impairment loss on goodwill	9	**(68,718)**	–
Selling and distribution costs		**(137,144)**	(248,478)
Administrative and other expenses		**(542,697)**	(545,820)
Finance costs	4	**(74,517)**	(63,051)
Share of results of an associate		**9,020**	(7,756)
Loss before tax		**(248,484)**	(158,366)
Income tax credit (expense)	5	**9,693**	(8,542)
Loss for the year from continuing operations		**(238,791)**	(166,908)
Discontinued operation			
Loss for the year from a discontinued operation	6	**–**	(80,823)
Loss for the year		**(238,791)**	(247,731)

	Notes	**2023** **HK$'000**	2022 HK$'000
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(12,551)**	(124,629)
Share of translation reserve of an associate		**(175)**	(2,133)
		(12,726)	(126,762)
Items that will not be reclassified to profit or loss:			
Remeasurement (loss) gain on defined benefit plan		**(661)**	3,328
Fair value loss on financial assets at fair value through other comprehensive income		**(22,302)**	(58,754)
		(22,963)	(55,426)
Other comprehensive expense for the year		**(35,689)**	(182,188)
Total comprehensive expense for the year		**(274,480)**	(429,919)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(238,623)**	(166,103)
– from a discontinued operation	6	**–**	(38,518)
		(238,623)	(204,621)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(168)**	(805)
– from a discontinued operation	6	**–**	(42,305)
		(168)	(43,110)

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**(275,345)**	(388,519)
Non-controlling interests		**865**	(41,400)
		(274,480)	(429,919)
Loss per share			
From continuing and discontinued operations			
Basic	7(a)	**(21.69) HK cents**	(18.60) HK cents
Diluted	7(a)	**(21.69) HK cents**	(18.60) HK cents
From continuing operations			
Basic	7(b)	**(21.69) HK cents**	(15.10) HK cents
Diluted	7(b)	**(21.69) HK cents**	(15.10) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**1,367,534**	1,573,170
Investment properties		**–**	138,355
Right-of-use assets		**17,613**	19,927
Prepaid lease payments		**181,294**	188,539
Goodwill	9	**464,797**	533,515
Intangible assets		**92,459**	92,481
Financial assets at fair value through other comprehensive income		**22,900**	45,660
Investment in an associate		**27,428**	18,583
Deposits for acquisition of property, plant and equipment		**4,247**	2,898
Deposits for acquisition of leasehold land		**–**	52,364
Other assets	10	**40,760**	41,347
Deferred tax assets		**9,796**	10,896
		2,228,828	2,717,735
Current assets			
Inventories		**414,613**	497,228
Trade and other receivables	11	**324,651**	346,842
Tax recoverable		**4,719**	1,123
Cash and bank balances		**203,602**	401,334
		947,585	1,246,527
Assets classified as held for sale	6	**272,608**	136
		1,220,193	1,246,663
Current liabilities			
Trade and other payables	12	**783,191**	911,820
Contract liabilities		**155,220**	199,030
Warranty provision		**9,490**	8,576
Lease liabilities		**6,745**	7,831
Tax liabilities		**90,794**	113,469
Bank and other borrowings		**1,114,479**	1,198,428
		2,159,919	2,439,154
Liabilities classified as held for sale	6	**2,444**	35,760
		2,162,363	2,474,914

	Notes	2023 HK$'000	2022 HK$'000
Net current liabilities		**(942,170)**	(1,228,251)
Total assets less current liabilities		**1,286,658**	1,489,484
Non-current liabilities			
Bank and other borrowings		**74,378**	–
Deferred revenue		**53,365**	58,950
Deferred tax liabilities		**36,743**	32,243
Lease liabilities		**11,600**	13,239
		176,086	104,432
Net assets		**1,110,572**	1,385,052
Capital and reserves			
Total equity attributable to owners of the Company			
Share capital		**55,011**	55,011
Share premium and reserves		**1,129,162**	1,404,507
		1,184,173	1,459,518
Non-controlling interests		**(73,601)**	(74,466)
Total equity		**1,110,572**	1,385,052

NOTES

1. CORPORATE INFORMATION

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 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.

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations ("**HK(IFRIC)-Int**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Initial application of new and amendments to HKFRSs

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employers' MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employers' MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has assessed a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2023, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

Management performed an assessment and concluded that the change in accounting policy had no material impact on the Group and the catch-up profit or loss adjustment was immaterial.

(c) Possible impact of new and amendments to HKFRSs issued but not yet effective for the year ended 31 December 2023

The following HKFRSs in issue at 31 December 2023 have not been applied in the preparation of the Group's consolidated financial statements for the year ended since they were not yet effective for the annual period beginning on 1 January 2023:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these new and amendments to HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. These consolidated financial statements have been prepared by the Directors on a going concern basis notwithstanding that the Group incurred a net loss of approximately HK$238,791,000 for the year ended 31 December 2023 and at that date, the Group had net current liabilities of approximately HK$942,170,000. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

(i) At 31 December 2023, the Group had unutilised banking facilities of approximately HK$1,742,200,000;

(ii) Subsequent to the end of the reporting period, the Group obtained a new facility of approximately HK$1,103,500,000 from a fellow subsidiary of the Group. The purpose of this is to ensure that the Group has sufficient funds to meet its future working capital and financial obligations;

(iii) Subsequent to the end of the reporting period, the Group has successfully rolled over bank and other borrowings with an aggregate principal amount of approximately HK$121,385,000 maturing on or before the date when the consolidated financial statements are authorised for issuance; and

(iv) For the other bank and other borrowings which will be maturing before 31 December 2024, the Group will actively negotiate with the banks before they fall due to secure their renewals so as to ensure the Group will have necessary funds to meet the Group's working capital and financial requirements in the future. The Directors do not expect to experience significant difficulties in renewing these borrowings upon their maturities and there is no indication that its bankers will not renew the existing facilities upon the Group's request. The Directors have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturities.

After taking into consideration of the above factors and funds expected to be generated internally from operations based on the Directors' estimation on the future cash flows of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis because there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group is 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.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Sales of dyeing and finishing machines	**1,288,151**	1,840,604
Sales of stainless steel casting products	**393,783**	532,555
Sales of stainless steel supplies	**58,396**	115,529
	1,740,330	2,488,688

Disaggregation of revenue from contracts with customers from continuing operations by the timing of revenue recognition and by geographical markets is disclosed in Notes 3(b)(i) and 3(b)(ii) respectively.

(b) Segment reporting

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

(i) ***Segment revenues and results from continuing operations***

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

For the year ended 31 December 2023

	Manufacture and sale of dyeing and finishing machines	**Manufacture and sale of stainless steel casting products**	**Trading of stainless steel supplies**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE				
Point in time	**1,288,151**	**393,783**	**58,396**	**1,740,330**
External sales	**1,288,151**	**393,783**	**58,396**	**1,740,330**
Inter-segment sales	**2,868**	**11,042**	**88,351**	**102,261**
Segment revenue	**1,291,019**	**404,825**	**146,747**	**1,842,591**
Elimination				**(102,261)**
Group revenue				**1,740,330**
Segment (loss) profit	**(198,590)**	**7,749**	**6,578**	**(184,263)**
Interest income				**1,276**
Finance costs				**(74,517)**
Share of results of an associate				**9,020**
Loss before tax from continuing operations				**(248,484)**

For the year ended 31 December 2022

	Manufacture and sale of dyeing and finishing machines	Manufacture and sale of stainless steel casting products	Trading of stainless steel supplies	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
Point in time	1,840,604	532,555	115,529	2,488,688
External sales	1,840,604	532,555	115,529	2,488,688
Inter-segment sales	976	16,481	94,374	111,831
Segment revenue	1,841,580	549,036	209,903	2,600,519
Elimination				(111,831)
Group revenue				2,488,688
Segment (loss) profit	(121,454)	28,098	4,541	(88,815)
Interest income				1,256
Finance costs				(63,051)
Share of results of an associate				(7,756)
Loss before tax from continuing operations				(158,366)

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.

(ii) ***Geographical information***

The Group's operations are located mainly in Hong Kong, the PRC and Germany.

Information about the Group's revenue from external customers from continuing operations 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**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**742,385**	785,122	**2,067,143**	2,176,490
Hong Kong	**45,209**	57,705	**5,601**	294,254
Asia Pacific (other than the PRC and Hong Kong)	**410,703**	767,796	**4**	19
Europe	**375,936**	533,193	**93,482**	168,441
North and South America	**141,351**	303,327	**2,474**	3,392
Others	**24,746**	41,545	**–**	–
	1,740,330	2,488,688	**2,168,704**	2,642,596

Non-current assets excluded investment in an associate, deferred tax assets and financial assets at FVOCI. The Directors 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 2023 and 2022.

4 FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings	**68,248**	52,476
Interest on lease liabilities	**437**	604
Bank charges	**5,832**	9,971
	74,517	63,051
Discontinued operation		
Interest on borrowings	**–**	2,583
	74,517	65,634

5 INCOME TAX (CREDIT) EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong Profits Tax:		
Current year	**1,691**	4,462
Over-provision in prior years	**(800)**	(144)
PRC Corporate Income Tax:		
Current year	**3,329**	2,967
(Over) under-provision in prior years	**(21,216)**	7
Overseas income tax:		
Current year	**329**	517
Under-provision in prior years	**–**	3,434
	(16,667)	11,243
Deferred tax:		
Current year	**6,974**	(2,701)
	(9,693)	8,542

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

PRC Corporate Income Tax is charged at the statutory tax rate of 25% of the assessable income as determined in accordance with the relevant PRC tax rules and regulations, except that certain subsidiaries are subject to a preferential tax rate of 15%. Over-provision in prior years mainly represented over-provision of the PRC Corporate Income Tax of Fong's National Engineering (Shenzhen) Company, Limited (立信染整機械(深圳)有限公司) ("**FNES**"), an indirect wholly-owned subsidiary of the Company, in relation to the final assessment of the taxable amount of the compensation received from the Urban Renewal Project, as defined in Note 10.

Taxation arising in other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

6 DISCONTINUED OPERATION AND A DISPOSAL GROUP OR ASSETS CLASSIFIED AS HELD FOR SALE

(a) PT Harvest Holdings Limited ("**PT Harvest**"), a wholly-owned subsidiary of the Group, held an office premises and certain car parks located in Hong Kong. In order to enhance the Group's financial position, the Directors were committed to the disposal plan to sell PT Harvest. Accordingly, PT Harvest has been classified as held for sale as at 31 December 2023 and the assets and liabilities of PT Harvest are presented separately in the consolidated statement of financial position as assets and liabilities classified as held for sale in current assets and current liabilities respectively.

The major class of assets and liabilities classified as held for sale as at 31 December 2023 are as follows:

	2023 ***HK$'000***
Assets classified as held for sale	
Property, plant and equipment	**134,873**
Investment properties	**133,181**
Other receivables	**853**
Cash and bank balances	**3,701**
Total assets classified as held for sale	**272,608**
Liabilities classified as held for sale	
Other payables	**(1,223)**
Deferred tax liabilities	**(1,221)**
Total liabilities classified as held for sale	**(2,444)**

The recoverable amount is measured at the lower of the carrying amount and fair value less costs to sell in accordance with HKFRS 5. The fair value less costs to sell of the properties of HK$288,000,000 was estimated based on a valuation report prepared by an independent professional valuer using the market approach under which making reference to the relevant market transactions in the vicinity. Its fair value is classified within level 3 of the fair value hierarchy.

As the fair value less costs to sell is greater than the carrying amount, no impairment loss is recognised for the year.

(b) The results from the discontinued operation of the provision of environmental protection services for the years ended 31 December 2023 and 2022, which have been included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 2022, are as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue	–	–
Other income	–	631
Administrative and other expenses	–	(607)
Loss allowance on trade and other receivables	–	(78,264)
Finance costs	–	(2,583)
Loss before tax	–	(80,823)
Income tax	–	–
Loss for the year from a discontinued operation	–	(80,823)
Loss for the year from a discontinued operation attributable to:		
Owners of the Company	–	(38,518)
Non-controlling interests	–	(42,305)
	–	(80,823)

Loss for the year from the discontinued operation of the provision of environmental protection services has been arrived at after charging:

	2023	2022
	HK$'000	*HK$'000*
Loss allowance on trade and other receivables	–	78,264

The net cash flows incurred by the discontinued operation of the provision of environmental protection services for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
	HK$'000	*HK$'000*
Net cash used in operating activities	–	(2)
Net cash from investing activities	–	–
Net cash from financing activities	–	–

During the year ended 31 December 2020, the Directors decided to discontinue the operation of the provision of environmental protection services and initiate a program to dispose the segment. The major class of assets and liabilities of the disposal group classified as held for sale as at 31 December 2023 and 2022 are as follows:

	2023	2022
	HK$'000	*HK$'000*
Assets of a disposal group classified as held for sale		
Property, plant and equipment	**–**	6
Other receivables	**–**	110
Cash and bank balances	**–**	20
Total assets of a disposal group classified as held for sale	**–**	136
Liabilities of a disposal group classified as held for sale		
Other payables	**–**	(35,760)
Total liabilities of a disposal group classified as held for sale	**–**	(35,760)

7 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:

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of calculation of basic loss per share	**(238,623)**	(204,621)
	'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 years ended 31 December 2023 and 2022 are same as the basic loss per share as the Group has no potential ordinary shares in issue during the years.

(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:

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(238,623)**	(204,621)
Less: Loss for the year from a discontinued operation attributable to owners of the Company	**–**	(38,518)
Loss for the year from continuing operations attributable to owners of the Company for the purpose of calculation of basic loss per share	**(238,623)**	(166,103)

The denominators used are the same as those detailed in Note 7(a) above for both basic and diluted loss per share.

(c) From a discontinued operation

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

	2023	2022
	HK$'000	*HK$'000*
Loss for the year from a discontinued operation attributable to owners of the Company	**–**	(38,518)

The denominators used are the same as those detailed in Note 7(a) above for both basic and diluted loss per share.

	2023	2022
Loss per share		
– Basic	**N/A**	(3.50) HK cents
– Diluted	**N/A**	(3.50) HK cents

8 DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2023 As no interim dividend was paid during the year, there will be no dividend distribution for the whole year of 2023.

9 GOODWILL

	2023	2022
	HK$'000	*HK$'000*
At beginning of the year	**533,515**	533,515
Impairment loss recognised	**(68,718)**	–
At end of the year	**464,797**	533,515

Goodwill acquired through business combination has been allocated to the cash-generating units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2023	2022
	HK$'000	*HK$'000*
Dyeing and finishing machines	**533,515**	533,515

The recoverable amount of the cash-generating unit related to dyeing and finishing machines has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 14.78% (2022: 14.67%). The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 3% (2022: 3%).

Assumptions were used in the value-in-use calculation of the cash-generating unit ("**CGU**") at 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Budgeted sale growth rate – The budgeted sales annual growth rate of 3% (2022: 3%) is based on the historical sales data and market outlook perceived by management.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

Growth rate – The Group determines the growth rate which shall not exceed the long-term average gross growth rate of the business in which the cash-generating unit operates.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

The impairment loss of HK$68,718,000 recognised during the year ended 31 December 2023 solely relates to the Group's dyeing and finishing machines manufacturing activities.

10 OTHER ASSETS

On 28 March 2014, FNES, entered into a Co-operation Agreement (the "**Agreement**") with a third party (the "**Project Company**"), for the redevelopment of FNES's existing land (the "**Land**") in Shenzhen by way of urban renewal (the "**Urban Renewal Project**").

Pursuant to the Agreement, the parties have designated the Project Company as the sole principal of the Urban Renewal Project with the sole right to redevelop and reconstruct the Land based on the terms of the Agreement. The Project Company is responsible for obtaining approvals from the PRC government for the redevelopment and reconstruction works contemplated under the Urban Renewal Project, including the demolition of the existing properties, the design, construction, completion and operation of the proposed facilities to be constructed on the redeveloped Land, and paying all costs in connection therewith (including reconstruction expenses, renovation expenses and land premium). FNES is responsible for the provision of the Land.

As part of the Agreement, FNES will receive (through resettlement and demolition compensation) (i) RMB1 billion in cash (the "**Cash Compensation**"); and (ii) substitution of part of the existing properties on the Land (with a gross floor area of approximately 29,391 m^2) with facilities to be constructed on the redeveloped Land with a total gross floor area of approximately 30,000 m^2 (and, in addition, at least 100 car-parks) (the "**New Property**").

Details of the co-operation on the Urban Renewal Project have been disclosed in the Company's circular dated 25 April 2014.

The Agreement has become effective upon the fulfilment of certain conditions precedent, including the approval of the Agreement by the shareholders at the special general meeting of the Company held on 15 May 2014 and by the State-owned Assets Supervision and Administration Commission of the State Council on 23 December 2014 respectively.

On 30 September 2021 (after trading session), FNES and the Project Company (among others) entered into the new supplemental agreement in relation to the further variation of the terms under the Co-operation Agreement in relation to the Urban Renewal Project ("**New Supplemental Agreement**").

The Project Company will deliver the New Property to FNES no later than 31 December 2034. If the Project Company fails to do so, unless otherwise negotiated between the Project Company and FNES by that time:

(a) the Project Company shall pay to FNES a rental compensation, which will be calculated on the basis of the market rent of comparable properties in the area; or

(b) FNES shall be entitled to accept at its option from the Project Company another property of the same value as the New Property instead.

As the timeframe of the remaining instalment payments of the Cash Compensation has been varied under the New Supplemental Agreement for the Cash Compensation to be paid ahead of the originally agreed schedule in favour of the Group, in return, if FNES breaches the terms of the New Supplemental Agreement, the Project Company is entitled to terminate the Co-operation Agreement (as supplemented by the New Supplemental Agreement) and request FNES to repay double the amount of the Cash Compensation that has already been paid by the Project Company to FNES and to compensate the loss of profits suffered by the Project Company under the Co-operation Agreement (as supplemented by the New Supplemental Agreement).

The Group received the final instalment payment in 2021 and the aggregate sum of RMB1 billion has been received by 2021. The relocation was completed in 2021. Apart from the RMB1 billion cash consideration, the Group should also receive properties with a total gross floor area of approximately 30,000 m^2 and at least 100 car-parks in exchange of the properties given up by the Group.

Since the Group is unable to measure reliably the fair value of either the properties to be received or the properties given up, the properties to be received is measured at the carrying amount of the properties given up and recognised as other assets of approximately HK$40,760,000 at 31 December 2023 (2022: approximately HK$41,347,000).

11 TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**234,029**	242,545
Less: Loss allowance	**(2,199)**	(3,594)
	231,830	238,951
Bills receivable	**34,488**	31,057
	266,318	270,008
Prepayments and other receivables	**58,333**	76,834
Total trade and other receivables	**324,651**	346,842

The Group allows an average credit period of 60 days (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
0–60 days	**188,581**	181,573
61–90 days	**8,749**	14,817
Over 90 days	**34,500**	42,561
	231,830	238,951

12 TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**171,918**	232,455
Bills payables	**74,784**	52,163
	246,702	284,618
Employee compensation arising as a result of the Urban Renewal Project	**–**	19,689
Interest payable	**30,176**	22,014
Loan from intermediate holding company *(Note i)*	**–**	111,940
Amount due to intermediate holding company *(Note ii)*	**44,162**	–
Loan from immediate holding company *(Note iii)*	**135,000**	135,000
Payroll payables	**75,647**	99,607
Payables for property, plant and equipment	**7,354**	29,794
Payables for raw materials with unreceived invoices	**57,187**	54,150
VAT and other tax payables	**44,345**	11,581
Accrued commission and other operation expenses	**26,760**	49,069
Others	**115,858**	94,358
	783,191	911,820

Notes:

(i) The loan was unsecured, interest bearing at a fixed rate of 5.22% per annum and fully repaid during the year.

(ii) The amount due was unsecured, interest-free and repayable on demand.

(iii) The loan was 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:

	2023	2022
	HK$'000	*HK$'000*
0–90 days	**134,380**	195,330
91–120 days	**11,816**	11,105
Over 120 days	**25,722**	26,020
	171,918	232,455

The average credit period on purchase of goods is 90 days (2022: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2023. As no interim dividend was paid during the year, there will be no dividend distribution for the whole year of 2023.

CHAIRMAN'S STATEMENT

This is my first annual report after my appointment as Chairman of the board of directors of CHTC Fong's. I would like to take this opportunity to thank the former Chairman, Mr. Ye Maoxin, for his contribution in leading the Group forward during his tenure.

In 2023, the global economy gradually stabilized and showed signs of improvement, but the recovery was not as strong as expected. At the same time, inflation remained high and operating costs rose as a result of soaring raw material prices, while competition became more intense due to weak market conditions. In the face of these challenges, the Group operated in an uncertain environment, but at the same time, it also maintained its profitability in the face of adversity and proactively reduced costs and increased efficiency in order to safeguard the Group's healthy cash flow and sustainable development of its business segments. In the financial year of 2023, the Group's consolidated revenue from continuing operations decreased by 30% to approximately HK$1,740,000,000, of which sales of dyeing and finishing machines accounted for 74%, stainless steel castings accounted for 23%, and stainless steel products accounted for the remaining 3%.

The year 2023 marks the Diamond Jubilee year of the Group's 60th anniversary. Looking back at the Group's achievements in the past six decades, the achievements are remarkable. CHTC Fong's has become a world-leading dyeing and finishing equipment manufacturing company, of which we are proud. In the next sixty years, CHTC Fong's will continue to pursue the objective of "providing best-in-class products and services to worldwide customers", commit to R&D and innovation, and provide one-stop advanced dyeing and finishing equipment for the textile industry.

Looking forward to 2024, the macro-economy is still uncertain, the manufacturing industry is facing challenges due to sluggish demand growth, and the market is still waiting for a turn of tides. Therefore, it can be expected that the Group's future business will still be subject to the overall environment. Even so, we will not stop. We will remain cautiously optimistic and continue to invest in R&D of new products and technologies. We will keep abreast of market developments and introduce cost-effective products that meet market needs, and strengthen our sales force and technical services to capture business opportunities that will arise when the market recovers in the future.

On behalf of all members of the board of directors, I would like to express my sincere gratitude to the management team and all employees, customers, suppliers, business partners, bankers, and shareholders who have always supported the Group for their efforts and contributions to CHTC Fong's. I believe that as a corporate with 60 years of glorified history, CHTC Fong's will overcome one hurdle after another in its sustainable development and reach another peak, providing more delicate products for the customers and creating long-term value for our shareholders, employees and society!

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

In 2023, the global economy gradually stabilised and showed signs of improvement, but the recovery was not as strong as expected. At the same time, inflation remained high and operating costs rose as a result of soaring raw material prices, while competition became more intense due to weak market conditions. Under this environment, the Group's performance was inevitably affected.

For the year ended 31 December 2023 (the "**Year**"), the Group's consolidated revenue from continuing operations decreased by 30% to approximately HK$1,740,000,000 (2022: HK$2,489,000,000) as compared to last year. Loss for the year attributable to owners of the Company was approximately HK$239,000,000 (2022: HK$205,000,000). The basic and diluted loss per share were 21.69 HK cents for the Year (2022: 18.6 HK cents).

MANUFACTURE AND SALE OF DYEING AND FINISHING MACHINES

In 2023, the global economic environment continued to face challenges and uncertainties. Although the overall economy has gradually stabilised and shown signs of improvement, the rebound has been relatively weak. In addition, soaring raw material prices, coupled with the impact of high interest rates, have led to rising operating costs. Therefore, customers have adopted a cautious approach towards investing in new dyeing and finishing machines production facilities. They are hesitate to proceed with expansion projects, resulting a slow recovery in customer demand for investment in new production equipment.

During the Year, this business segment recorded revenue of approximately HK$1,288,000,000, accounting for 74% of the Group's revenue and representing a decrease of 30% from approximately HK$1,841,000,000 for last year. In particular, sales from Hong Kong and the PRC markets were approximately HK$619,000,000, representing a decrease of 3% from approximately HK$638,000,000 for last year; and sales from overseas markets were approximately HK$669,000,000, representing a decrease of 44% from approximately HK$1,203,000,000 for last year. During the Year, this business segment recorded an operating loss of approximately HK$198,000,000 (2022: HK$121,000,000). Due to the challenging market environment, an impairment loss of carrying value of goodwill of approximately HK$69,000,000 was recognised in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2023.

Cost control remains a significant concern for manufacturers. The Group will continue to implement stringent measures and cost control initiatives throughout the entire operating structure, which are not restricted to production operations, but also applicable to sales, administration and other functions and departments. While the Group has already made moderate reductions in its workforce, primarily involving non-production staff, it has also invested resources in further trainings for skilled workers. This investment has resulted in cost savings as well as improvement in output quality. Moreover, the Group will consider increasing the proportion of subcontracting to replenish our existing labour force, so that we can control our fixed labour costs and have the flexibility to meet urgent orders. Through the optimisation of labour force and the utilisation of subcontracting, the Group can effectively satisfy the needs of its customers while maintaining cost control.

As a leading manufacturer of dyeing and finishing machines, we regard product development and innovation as the top priority in our operations. The Group will continue to carry out thorough and in-depth reform of its manufacturing process, with an aim to further enhance efficiency, further improve and perfect production, and enhance the overall performance and output quality of production. These efforts have begun to yield results. In response to changes in the market environment and keen customer demand, the Group launched SOFTWIN, a new model of its flagship product fabric dyeing machines, which won unanimous praise in the market. By upholding its operation philosophy of "Integrity-based, Technology-focused and Customer-oriented", the Group will devote more resources into research and development of new products and unveil more high quality and market-oriented products to satisfy the needs of different customers.

The Group's management team works tirelessly and proactively to formulate contingency plans to address short-term market fluctuations. The team has also implemented long-term capacity upgrading and expansion plans, while constantly improving efficiency and adhering to quality to build a solid, core competency that enables the Group to maintain its leading position. We believe that with the presence of a robust manufacturing platform, the Group will be able to achieve sustainable growth in the long run and continue to create values for our customers and shareholders.

In response to the current extremely challenging business environment, our management team has taken a series of operating cost and capital expenditure control measures and 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 will plan production capacity based on actual needs, refine and strengthen supply chain management capabilities, reduce various fees and expenditure, strengthen manufacturing process, optimise process structure and improve production bottlenecks in order to quickly respond 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. The Group firmly believes that only by constantly innovating and addressing the practical pain points of our customers, providing them with substantial benefits and enhancing the returns on their assets, will we be able to motivate them to upgrade their equipment. In addition to meeting the individual needs of our customers, we look to standardise the production of components. At the same time, we should speed up the building of the Group's management team to meet and adapt to the current reform and development needs. The Company will remain focused on efficiency and place greater importance to smart manufacturing process, productivity improvement and transformation of digital plants.

The Group's wholly-owned subsidiary, PT Harvest Holdings Limited ("PT Harvest"), holds an office property and certain car parking spaces in Hong Kong. In order to improve the financial position of the Group, the Directors are committed to a disposal plan to sell the entire share capital of PT Harvest. Therefore, on 31 December 2023, PT Harvest was classified as held for sale, and the assets and liabilities of PT Harvest are presented separately in the current assets and current liabilities in the consolidated statement of financial position and classified as held for sale.

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.

For the year 2023, this business segment recorded revenue of approximately HK$394,000,000, accounting for 23% of the Group's revenue and representing an decrease of 26% as compared to approximately HK$533,000,000 for last year. As a result of the decrease in revenue, operating profit decreased to approximately HK$8,000,000 from approximately HK$28,000,000 for last year.

Casting orders fell from its peak, mainly attributable to a substantial increase in customer inventory amid the pandemic. Given the uncertain economic environment, customers have adopted a cautious ordering strategy and tend to reduce inventory level, especially when the shipping logistic services and the production material supply chains have gradually restored, resulting in a slowdown in the order volume.

The management team has been working hard over the last few years to broaden customer base and explore potential collaboration opportunities, and laid down a solid foundation for the future, long-term development of this business by focusing on the development of unique and high-end casting products. Given the uncertainties surrounding the prevailing macroeconomic environment, we will adopt a prudent approach in capacity expansion planning, and continue to upgrade facilities and replace old machines, with the aim of supporting the development of a casting product mix that delivers higher output value. At the same time, automation has been duly enhanced to improve overall efficiency.

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.

TRADING OF STAINLESS STEEL SUPPLIES

During the Year, most countries have already lifted various anti-pandemic control measures and returned to normal. However, market conditions are still awaiting improvement as the anticipated strong economic rebound has yet to materialise. Owing to the unstable external environment, customers have become more cautious in their purchases, thus slowing down the pace of sales.

For the year ended 31 December 2023, this business segment recorded revenue of approximately HK$58,000,000, accounting for approximately 3% of the Group's revenue and representing a decrease of 49% as compared to approximately HK$115,000,000 in the same period last year. Operating profit for the year amounted to approximately HK$6,000,000 (2022: HK$5,000,000). The increase in profit was mainly attributable to the effective management of the Group, which continued to optimise organisation structure and strengthened efforts in implementing cost reduction and efficiency enhancement, enabling the gross profit margin to rebound to its previous normal level.

In respect of trading of stainless steel supplies, the Group has established strong relationship with some global leading steel manufacturing companies since commencing 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. During the Year, the intergroup sales of this business segment was approximately HK$88,000,000 (2022: HK$94,000,000).

Looking ahead to 2024, the price of stainless steel supplies is expected to fluctuate within a narrow range around the current level. 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 PRC, 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.

FUTURE DEVELOPMENT

In the foreseeable future, the Group envisages that its business will continue to be affected by global uncertainties.

The business condition for the rest of the year is expected to remain challenging. Overseas markets are expected to slow down as a result of the negative market outlook amid high inflation. However, demand from the emerging markets that the Group is focusing on, namely Mainland China and Southeast Asia, is still enormous. Considering the challenges ahead, the Group will closely monitor the market trend and provide products that cater to our customers and the markets.

The Group will continue to adopt a prudent approach in strictly controlling operating costs and striving to enhance operational efficiency. The Group will also continue to focus on developing its core businesses, improve product design and strengthen development capabilities, with a view to maximising long-term return for the shareholders of the Company.

The Group is well-positioned with the presence of its strong management team, facilities and technologies. Under the stewardship of the new senior management, we are confident in overcoming future challenges and emerging as an even stronger business, and our business vision of maximising returns for our shareholders year after year is achievable.

HUMAN RESOURCE

As at 31 December 2023, the Group had a total of approximately 2,200 employees (31 December 2022: approximately 2,800 employees) across mainland China, Hong Kong, Germany, Switzerland, Austria, India and the United States. In 2023, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$551,000,000 (2022: HK$704,000,000), accounting for 32% (2022: 28%) of its revenue. The Group will continue to monitor the market situation and consolidate its human resources 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 offering competitive remuneration is essential to recruit and retain talents, incentivising them to dedicate to work and commit to establishing a worldclass enterprise that provides customers with high-quality products and services, thereby helping customers to thrive and share their achievements with the Group. 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 regularly reviewed by the Remuneration Committee of the Company. Discretionary bonus and share options may be awarded to eligible employees who contributed to the success of the Group. The Group also provides employees with other benefits including annual leave, medical insurance, education subsidies and contributions to retirement benefit schemes or Mandatory Provident Fund Schemes. The Group recognises the importance of having high calibre employees. Therefore, the Group will continue to offer appropriate training programmes for employees across all levels and positions on an ongoing basis, in order to improve staff's quality to better cope with the Group's future development. Our highly capable management team is committed to navigating us through the unprecedented challenges. With team leadership and crisis management in place, the Group has successfully dealt with the difficulties in the business environment over the last few years.

LIQUIDITY AND CAPITAL SOURCES

The Group strictly implemented prudent cost and cash flow management in order to ensure the continuous operation. During the Year, 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, will be sufficient to satisfy the current operational requirements of the Group.

During the year ended 31 December 2023, the Group's net cash outflow used in operating activities was approximately HK$16,000,000. As at 31 December 2023, the Group's inventory level decreased to approximately HK$415,000,000 as compared to approximately HK$497,000,000 as at 31 December 2022.

As at 31 December 2023, bank and other borrowings of the Group amounted to approximately HK$1,189,000,000. The bank and other borrowings were sourced from Mainland China, with 54% denominated in Renminbi and 46% in Hong Kong dollars. The Group's bank and other borrowings are predominantly subject to floating interest rates and fixed interest rates.

As at 31 December 2023, the Group's bank balances and cash amounted to approximately HK$204,000,000, of which 57% was denominated in Renminbi, 16% in Euros, 16% in United States dollars, 10% in Hong Kong dollars and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during the Year. As at 31 December 2023, the Group's gearing ratio, defined as net bank borrowings (other than payables in ordinary course of business) over total equity, increased to 89% (31 December 2022: 58%) and its current ratio was 0.56 (31 December 2022: 0.50).

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 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 year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company wishes to highlight the importance of the Board in ensuring effective leadership and control of the Company, transparency and accountability of all aspects of operations and that its business is conducted in accordance with applicable laws and regulations.

The Company also recognises the importance of good corporate governance to the Group's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Group's needs.

Throughout the year ended 31 December 2023, the Company has complied with all the code provisions of the Corporate Governance 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**").

CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 (the "**Model Code**") 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 throughout the year ended 31 December 2023.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees of the Group on terms no less exacting than the required standard set out in the Model Code to regulate dealings in the securities of the Company by certain employees of the Company or directors or employees of the Company's subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its subsidiaries. No incident of non-compliance was noted by the Company for the year ended 31 December 2023.

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 2023. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PKF 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 PKF Hong Kong Limited on the preliminary announcement.

ANNUAL REPORT

The Annual Report for the year ended 31 December 2023 will be despatched to the shareholders and will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk as well as the website of the Company at www.fongs.com in due course.

On behalf of the Board
CHTC Fong's International Company Limited
Guan Youping
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Company's Executive Directors are Mr. Guan Youping (Chairman) and Mr. Chen Peng (General Manager); 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 Dr. Chen Ying.