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 2024

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 2024 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 2024

	Notes	**2024** ***HK$'000***	2023 *HK$'000*
Revenue	3	**1,968,433**	1,740,330
Cost of sales		**(1,471,171)**	(1,250,758)
Gross profit		**497,262**	489,572
Interest income		**1,006**	1,276
Other income		**38,757**	67,252
Other gains		**10,039**	7,472
Impairment loss on goodwill	9	**–**	(68,718)
Impairment loss on assets classified as held for sale	6	**(20,692)**	–
Selling and distribution costs		**(138,582)**	(137,144)
Administrative and other expenses		**(419,107)**	(542,697)
Finance costs	4	**(74,392)**	(74,517)
Share of results of an associate		**830**	9,020
Loss before tax		**(104,879)**	(248,484)
Income tax (expense) credit	5	**(11,243)**	9,693
Loss for the year		**(116,122)**	(238,791)

	Notes	2024 *HK$'000*	2023 *HK$'000*
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(19,425)**	(12,551)
Share of translation reserve of an associate		**(587)**	(175)
		(20,012)	(12,726)
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on defined benefit plan		**158**	(661)
Fair value loss on financial assets at fair value through other comprehensive income		**(1,121)**	(22,302)
		(963)	(22,963)
Other comprehensive expense for the year		**(20,975)**	(35,689)
Total comprehensive expense for the year		**(137,097)**	(274,480)
(Loss) profit for the year attributable to:			
Owners of the Company		**(118,420)**	(238,623)
Non-controlling interests		**2,298**	(168)
		(116,122)	(238,791)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(140,467)**	(275,345)
Non-controlling interests		**3,370**	865
		(137,097)	(274,480)
Loss per share			
Basic	7	**(10.76) HK cents**	(21.69) HK cents
Diluted	7	**(10.76) HK cents**	(21.69) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**1,298,252**	1,367,534
Investment properties		**–**	–
Right-of-use assets		**18,189**	17,613
Prepaid lease payments		**168,849**	181,294
Goodwill	9	**464,797**	464,797
Intangible assets		**92,185**	92,459
Financial assets at fair value through other comprehensive income		**21,289**	22,900
Investment in an associate		**27,671**	27,428
Deposits for acquisition of property, plant and equipment		**20,387**	4,247
Other assets	10	**39,888**	40,760
Deferred tax assets		**9,976**	9,796
		2,161,483	2,228,828
Current assets			
Inventories		**365,994**	414,613
Trade and other receivables	11	**303,154**	324,651
Tax recoverable		**–**	4,719
Cash and bank balances		**250,501**	203,602
		919,649	947,585
Assets classified as held for sale	6	**251,749**	272,608
		1,171,398	1,220,193
Current liabilities			
Trade and other payables	12	**847,653**	783,191
Contract liabilities		**202,149**	155,220
Warranty provision		**7,690**	9,490
Lease liabilities		**8,557**	6,745
Tax liabilities		**10,826**	90,794
Bank and other borrowings		**891,897**	1,114,479
		1,968,772	2,159,919
Liabilities classified as held for sale	6	**2,141**	2,444
		1,970,913	2,162,363

	Notes	**2024**	2023
		HK$'000	*HK$'000*
Net current liabilities		**(799,515)**	(942,170)
Total assets less current liabilities		**1,361,968**	1,286,658
Non-current liabilities			
Bank and other borrowings		**293,376**	74,378
Deferred revenue		**47,943**	53,365
Deferred tax liabilities		**37,026**	36,743
Lease liabilities		**10,148**	11,600
		388,493	176,086
Net assets		**973,475**	1,110,572
Capital and reserves			
Total equity attributable to owners of the Company			
Share capital		**55,011**	55,011
Share premium and reserves		**988,695**	1,129,162
		1,043,706	1,184,173
Non-controlling interests		**(70,231)**	(73,601)
Total equity		**973,475**	1,110,572

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 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) Amendments to HKFRSs that are mandatory effective for the current year

In the current year, the Group has applied the following 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 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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.

(c) Possible impact of new and amendments to HKFRSs issued but not yet effective for the year ended 31 December 2024

The following HKFRSs in issue at 31 December 2024 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 2024:

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19*	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

* HKFRS 19 is not applicable to listed issuers. It is a voluntary standard for eligible non-listed subsidiaries.

The Directors are 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$116,122,000 for the year ended 31 December 2024 and at that date, the Group had net current liabilities of approximately HK$799,515,000. 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 2024, the Group had unutilised banking facilities of approximately HK$1,564,700,000;

(ii) Subsequent to the end of the reporting period, the Group entered into the Financial Services Framework Agreement with a fellow subsidiary of the Group. The Financial Services Framework Agreement amends and supplements an earlier financial services agreement dated 17 May 2024. At 31 December 2024, the Group had unutilised credit facilities of approximately HK$855,820,000. All such credit facilities were not secured by assets 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$98,272,000 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 2025, 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:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of dyeing and finishing machines	**1,527,047**	1,288,151
Sales of stainless steel casting products	**385,241**	393,783
Sales of stainless steel supplies	**56,145**	58,396
	1,968,433	1,740,330

Disaggregation of revenue from contracts with customers 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

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

For the year ended 31 December 2024

	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*
REVENUE				
Point in time	**1,527,047**	**385,241**	**56,145**	**1,968,433**
External sales	**1,527,047**	**385,241**	**56,145**	**1,968,433**
Inter-segment sales	**2,430**	**13,955**	**62,535**	**78,920**
Segment revenue	**1,529,477**	**399,196**	**118,680**	**2,047,353**
Elimination				**(78,920)**
Group revenue				**1,968,433**
Segment (loss) profit	**(34,371)**	**16,414**	**6,326**	**(11,631)**
Interest income				**1,006**
Impairment loss on assets classified as held for sale				**(20,692)**
Finance costs				**(74,392)**
Share of results of an associate				**830**
Loss before tax				**(104,879)**

For the year ended 31 December 2023

	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*
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				(248,484)

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, impairment loss on assets classified as held for sale, 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, Mainland China and Germany.

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

	Revenue from external customers		**Non-current assets**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**844,543**	742,385	**2,006,156**	2,067,143
Hong Kong	**53,986**	45,209	**11,227**	5,601
Asia Pacific (other than Mainland China and Hong Kong)	**469,208**	410,703	**4**	4
Europe	**399,272**	375,936	**85,160**	93,482
North and South America	**171,880**	141,351	**–**	2,474
Others	**29,544**	24,746	**–**	–
	1,968,433	1,740,330	**2,102,547**	2,168,704

Non-current assets excluded investment in an associate, deferred tax assets and financial assets at fair value through other comprehensive income. 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 2024 and 2023.

4 FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on borrowings	**69,384**	68,248
Interest on lease liabilities	**638**	437
Bank charges	**4,370**	5,832
	74,392	74,517

5 INCOME TAX EXPENSE (CREDIT)

	2024	2023
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current year	**2,086**	1,691
Under (over)-provision in prior years	**288**	(800)
PRC Corporate Income Tax:		
Current year	**8,153**	3,329
Under (over)-provision in prior years	**72**	(21,216)
Overseas income tax:		
Current year	**32**	329
Under-provision in prior years	**874**	–
	11,505	(16,667)
Deferred tax:		
Current year	**(262)**	6,974
	11,243	(9,693)

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 of 2023 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 ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

PT Harvest Holdings Limited ("**PT Harvest**"), a wholly-owned subsidiary of the Group, held an office premises and certain car parks located at Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Hong Kong ("**KCC Premises**"). 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 2024 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. As at 31 December 2024 and 2023, the Directors confirmed that the PT Harvest and the KCC Premises are available for immediate sale in their current conditions.

The major class of assets and liabilities classified as held for sale as at 31 December 2024 and 2023 are as follows:

	2024	2023
	HK$'000	*HK$'000*
Assets classified as held for sale		
Property, plant and equipment	**124,415**	134,873
Investment properties	**122,835**	133,181
Other receivables	**734**	853
Cash and bank balances	**3,765**	3,701
Total assets classified as held for sale	**251,749**	272,608
Liabilities classified as held for sale		
Other payables	**(1,247)**	(1,223)
Deferred tax liabilities	**(894)**	(1,221)
Total liabilities classified as held for sale	**(2,141)**	(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$247,250,000 (2023: 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 lower (2023: greater) than the carrying amount, an impairment loss of approximately HK$20,692,000 (2023: Nil) is recognised for the year.

At 31 December 2024, the property, plant and equipment and investment properties of approximately HK$124,415,000 (2023: HK$134,873,000) and approximately HK$122,835,000 (2023: HK$133,181,000) respectively were pledged to secure banking facilities granted to the Group.

7 LOSS PER SHARE

Basic loss per share

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

	2024	2023
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of calculation of basic loss per share	**(118,420)**	(238,623)
	'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 2024 and 2023 are same as the basic loss per share as the Group has no potential ordinary shares in issue during the years.

8 DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2024. As no interim dividend was paid during the year, there was no dividend distribution for the whole year of 2024.

9 GOODWILL

	2024	2023
	HK$'000	*HK$'000*
At beginning of the year	**464,797**	533,515
Impairment loss recognised	**–**	(68,718)
At end of the year	**464,797**	464,797

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:

	2024	2023
	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 13.41% (2023: 14.78%). The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 3% (2023: 3%).

Assumptions were used in the value-in-use calculation of the cash-generating unit ("**CGU**") at 31 December 2024 and 31 December 2023. 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% (2023: 3%) is based on the historical sales data and market outlook perceived by the management.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the CGU.

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 CGU operates.

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

No impairment loss (2023: HK$68,718,000) be recognised during the year ended 31 December 2024 solely relates to the Group's dyeing and finishing machines manufacturing business.

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 of the PRC 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 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 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 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 in 2021. Apart from the RMB1 billion cash consideration, the Group should also receive the New Property 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 New Property to be received or the properties given up, the New Property to be received is measured at the carrying amount of the properties given up and recognised as other assets of approximately HK$39,888,000 at 31 December 2024 (2023: HK$40,760,000).

11 TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables	**200,762**	234,029
Less: Loss allowance	**(633)**	(2,199)
	200,129	231,830
Bills receivable	**51,376**	34,488
	251,505	266,318
Prepayments	**22,879**	32,116
Other receivables	**28,770**	26,217
Total trade and other receivables	**303,154**	324,651

The Group allows an average credit period of 60 days (2023: 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:

	2024	2023
	HK$'000	*HK$'000*
0–60 days	**175,934**	188,581
61–90 days	**3,739**	8,749
Over 90 days	**20,456**	34,500
	200,129	231,830

12 TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**245,098**	171,918
Bills payables	**54,535**	74,784
	299,633	246,702
Interest payable	**29,951**	30,176
Amount due to intermediate holding company *(Note i)*	**43,196**	44,162
Loan from immediate holding company *(Note ii)*	**135,000**	135,000
Payroll payables	**63,623**	75,647
Payables for property, plant and equipment	**8,082**	7,354
Payables for raw materials with unreceived invoices	**83,230**	57,187
VAT and other tax payables	**49,046**	44,345
Accrued commission and other operation expenses	**81,685**	61,737
Others	**54,207**	80,881
	847,653	783,191

Notes:

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

(ii) 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:

	2024	2023
	HK$'000	*HK$'000*
0–90 days	**225,787**	134,380
91–120 days	**12,300**	11,816
Over 120 days	**7,011**	25,722
	245,098	171,918

The average credit period on purchase of goods is 90 days (2023: 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 2024. As no interim dividend was paid during the year, there will be no dividend distribution for the whole year of 2024.

CHAIRMAN'S STATEMENT

In 2024, the global economy gradually stabilised and showed signs of improvement, but the recovery was not as strong as expected. At the same time, the global market and operating environment remain unstable and the outlook is uncertain due to the continuing impact of factors such as high inflation rate, tightening monetary policies and global geopolitical tensions. In the face of these challenges, the Group has been operating in an uncertain environment, but at the same time, it has been maintaining its profitability in the face of adversity and proactively reduced costs and increased efficiency so as to safeguard the sustainable development of the Group's business segments.

With effective cost control and continuous improvement in production efficiency during the year, the Group was able to maintain its gross profit margin during the year. For 2024, the Group's consolidated revenue increased by 13% to approximately HK$1,968,000,000 as compared to last year, of which sales of dyeing and finishing machines accounted for 78%, stainless steel castings accounted for 19%, and stainless steel products accounted for the remaining 3%. Loss attributable to owners of the Company was approximately HK$118,000,000 (2023: loss of approximately HK$239,000,000), a marked improvement in performance.

In the current situation of low investment sentiment in the manufacturing industry, the future demand of dyeing and finishing equipment customers have undergone significant and increasingly complex changes. Instead of pursuing low prices, customers are focusing on the high performance of equipment, reduction of direct labour costs, scalability of digital systems and pursuit of industry-specific design and specification standards. To this end, the Group's dyeing and finishing machinery manufacturing business will continue to focus on the area of technology upgrading and transformation, and strive to improve all-round customised solutions to meet market demand. The Group will further enhance its production output, expand its production capacity and strengthen the training of talents to ensure the stable operation of the business.

Looking ahead to 2025, the global economy will maintain moderate growth. In particular, some developing economies, benefiting from the restructuring of manufacturing industrial chains, will continue to maintain their economic expansion, thus providing support for global economic growth. At the same time, the international situation is fraught with uncertainties, with intensified geopolitical conflicts and rising trade protectionism posing major challenges to the global economic recovery.

The Group will continue to adhere to the concept of high-quality development, endeavour to expand its core businesses and proactively respond to various risks. The Group will appropriately increase its investment in research and development and keep abreast of market developments, launching cost-effective products that meet the market demand and strengthening its sales team and technical services so as to lay a solid foundation for the Group to maintain its competitiveness in future market cycles. It also looks forward to creating value for the shareholders of the Company, the community and its employees.

I would like to express my sincere gratitude to the management team and staff for their efforts and perseverance amidst the global economic slowdown and challenging business climate, and to the Board for its advice and continued support. I would also like to thank our customers, suppliers, bankers, shareholders and all other stakeholders for their support and trust on us.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

In 2024, the global economy gradually stabilised and showed signs of improvement, but the recovery was not as strong as expected. Meanwhile, inflation and bank interest rates remained at a high level, raw material prices soared, resulting in higher operating costs, and competition intensified due to weak market conditions. In the face of these challenges, the Group has been operating in an uncertain environment, but at the same time, it has been maintaining its profitability in the face of adversity and proactively reduced costs and increased efficiency to ensure the sustainable development of the Group's business segments.

For the year ended 31 December 2024 (the "**Year**"), the Group's consolidated revenue increased by 13% to approximately HK$1,968,000,000 (2023: HK$1,740,000,000) as compared to last year. Loss attributable to owners of the Company was approximately HK$118,000,000 (2023: HK$239,000,000), a marked improvement in performance. Both basic loss per share and diluted loss per share were 10.76 HK cents for the Year (2023: 21.69 HK cents).

MANUFACTURE AND SALE OF DYEING AND FINISHING MACHINES

In 2024, the global market 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 adopt a wait-and-see attitude to expansion projects, resulting in a slow recovery of customers' demand for investment in new production equipment.

During the Year, this business segment recorded a revenue of approximately HK$1,527,000,000, accounting for 78% of the Group's revenue and representing an increase of 19% from approximately HK$1,288,000,000 for last year, of which sales from Hong Kong and the PRC markets were approximately HK$712,000,000, representing an increase of 15% from approximately HK$619,000,000 for last year; and sales from overseas markets were approximately HK$815,000,000, representing an increase of 22% from approximately HK$669,000,000 for last year. During the Year, this business segment recorded an operating loss of approximately HK$34,000,000 (2023: HK$198,000,000).

Under the environment of fierce competition in the dyeing and finishing machinery industry, the sales and order intake of the Group's dyeing and finishing machinery business during the year rebounded from the low level of last year. Affected by the geopolitical tensions, some export orders and related investments in different industries, including textiles and garments, were withdrawn from the Chinese market. Overall, the ongoing slump in China's industrial market has stifled demand for products, while the phenomenon of "overcapacity" will continue to put pressure on prices and investment sentiment. In the face of intensifying competition in the dyeing and finishing machinery industry, many market players were competing for new machinery orders with low prices and fast delivery, and the Group's sales in dyeing and finishing machines in the PRC market have declined compared with that before the pandemic. In terms of the overseas market, notwithstanding the global demand was affected by multiple adverse factors such as the slowdown in world economic growth, the high US interest rates and energy costs and foreign exchange fluctuations, the Group's overseas sales still improved and achieved a rebound momentum from the bottom, which was sufficient to hedge against the impact of weak demand in the Chinese market during the period, leading to the Group's sales of dyeing and finishing machines in the Year still rebounded as compared to last year.

In response to the current challenging operating environment, the management has implemented a series of control measures on operating cost and capital expenditure with a resolute and head-on attitude to deal with the uncertain environment. The Group will give priority to prudently monitoring its financial position through implementing proper inventory control, stringent management of trade receivables, and more reasonable disposal of assets in order to maintain sufficient cash flow.

On the market side, we have strengthened our marketing efforts through focusing on key projects, increasing added value in products, comprehensive improvement in distribution channels in various countries, accelerating development of new customers, and implementing strategic expansion in emerging markets.

Internally, we have formulated plan for production capacity according to actual demand, refined and strengthened supply chain management capabilities, reduced various expenses, reinforced the manufacturing processes, optimised process structures and improved production bottlenecks to respond more quickly to market changes. Notwithstanding the fact that the Group has already moderately reduced its workforce, the layoffs mainly involved nonproduction staff, and resources have been invested in further training of skilled workers, which has realised cost savings as well as improvement in output quality. Moreover, the Group will increase the proportion of subcontracting in complementing our existing labour force, so that we can have better control of our fixed labour costs and have the flexibility to meet urgent orders. Through optimisation of labour force and taking advantage of subcontracting, the Group can effectively satisfy the needs of its customers while maintaining cost control. 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 functional departments.

As a leading dyeing and finishing equipment manufacturer in the world, the Group has always been focusing on the research and development of dyeing and finishing machinery and will continue to increase its investment in technological research with a view to providing customers with more cost-effective products. The Group firmly believes that only by continuously innovating and addressing customers' pain points in actual use, providing them with practical benefits and enhancing their return on assets, can desire of customers to upgrade their equipment be stimulated. We will promote standardised production of components while meeting customers' individual needs. At the same time, we will speed up the construction of group management team to meet and adapt to the current needs of reform and development. The Company will continue to be efficiency-driven, placing greater emphasis on intelligent manufacturing processes, improving production capacity, and conducting transformation in its digital factories.

The Group's management team has been working tirelessly and proactively to formulate contingency plans to cope with short-term market fluctuations. It has also implemented long-term capacity upgrading and expansion plans, while constantly improving efficiency and adhering to quality to build up a solid core competitiveness that should enable the Group to maintain its leading position. We are confident that with the presence of a strong manufacturing platform, the Group will be able to achieve sustainable growth in long run and continue to create values for its customers and shareholders.

MANUFACTURE AND SALE OF STAINLESS STEEL CASTING PRODUCTS

The main products of this business segment are high-quality castings and machined parts made of stainless steel, dual-phase steel and nickel-based alloys, which are being widely used in industrial equipment for valves, pumps, chemical, oil, natural gas and food industries. The main customers are from Europe, the United States and Japan.

Given the uncertain economic environment, customers have adopted a cautious ordering strategy and tend to reduce inventory level, resulting in a drop in the number of casting orders from its peak. For the year 2024, this business segment recorded a revenue of approximately HK$385,000,000, accounting for 19% of the Group's revenue and representing a slight decrease of 2% as compared to approximately HK$394,000,000 for last year. Despite the decrease in revenue, operating profit increased to approximately HK$16,000,000 from approximately HK$8,000,000 for last year.

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. Sales and earnings for the Year were maintained at levels similar to those of last year.

For the year ended 31 December 2024, this business segment recorded a revenue of approximately HK$56,000,000, accounting for approximately 3% of the Group's revenue and representing a slight decrease of 3% as compared to approximately HK$58,000,000 last year. Operating profit for the Year amounted to approximately HK$6,000,000 (2023: HK$6,000,000). With effective management, the Group 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$63,000,000 (2023: HK$88,000,000).

Looking ahead to 2025, 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.

With the commencement of a number of large-scale infrastructure projects, Hong Kong has entered a boom period for the construction industry, which will bring opportunities to the stainless steel trading business. At the same time, we are also actively reaching out to potential new customers with a view to achieving a more diversified customer base. 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 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 2024, the Group had a total of approximately 1,900 employees (31 December 2023: approximately 2,200 employees) in Mainland China, Hong Kong, Germany, Austria, India and the United States. As at 31 December 2024, the ratio of female to male employees of the Group (excluding directors) was 12:88. However, as the Group is primarily engaged in the industrial sector, the gender diversity in this business area may be less relevant but we will still promote an appropriate gender balance. 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 regards its employees as its most important and valuable asset and considers that competitive remuneration packages are essential to recruit and retain talents, incentivising them to work hard to provide customers with satisfactory products and services, thereby helping customers to thrive and share their achievements with the Group. The Group's remuneration policies and packages are reviewed by the Remuneration Committee of the Company on a regular basis while employees are remunerated based on the remuneration benchmarks in the industry and the prevailing market conditions, as well as their experiences and performance. In 2024, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK$521,000,000 (2023: HK$551,000,000), accounting for 26% (2023: 32%) of its revenue.

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 also organises various activities from time to time for the participation of general staff together with the management with a view to enhancing mutual cooperation and communication.

The Group recognises the importance of retaining high calibre employees. Therefore, the Group will continue to provide appropriate training programmes to its employees at different levels and positions on an ongoing basis in order to further enhance their skills, expertise and knowledge in production, operation and management while making continuous contribution to the Group.

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 2024, the Group's net cash inflow from operating activities was approximately HK$165,000,000. As at 31 December 2024, the Group's inventory level decreased to approximately HK$366,000,000 as compared to approximately HK$415,000,000 as at 31 December 2023.

As at 31 December 2024, bank and other borrowings of the Group amounted to approximately HK$1,185,000,000. The bank and other borrowings were sourced from Mainland China, with 58% denominated in Renminbi and 42% 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 2024, the Group's bank balances and cash amounted to approximately HK$251,000,000, of which 48% was denominated in Renminbi, 23% in United States dollars, 21% in Euros, 7% 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 2024, 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 96% (31 December 2023: 89%) and its current ratio was 0.59 (31 December 2023: 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 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 2024.

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 2024, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to 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 C3 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 2024.

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 2024.

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 2024. 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 2024 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 2024 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 2025

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.