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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

The Board of Directors (the “**Board**”) of CHTC Fong’s International Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2025 together with the comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2025

		For the six months ended 30 June	
		2025	2024
	<i>Note</i>	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Revenue	4	1,093,659	905,502
Cost of sales		(792,397)	(675,950)
Gross profit		301,262	229,552
Interest income		198	525
Other income		16,860	17,931
Other gains	6	1,756	2,501
Selling and distribution costs		(64,277)	(57,635)
Administrative and other expenses		(209,147)	(195,940)
Finance costs	5	(25,613)	(38,106)
Share of results of an associate		334	3
Profit (loss) before tax	6	21,373	(41,169)
Income tax expense	7	(4,978)	(3,877)
Profit (loss) for the period		16,395	(45,046)

		For the six months ended 30 June	
		2025	2024
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
<i>Note</i>			
Other comprehensive income (expense), net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
	Exchange difference arising on translation	12,687	(5,127)
	Share of translation reserve of an associate	403	(9)
	Other comprehensive income (expense) for the period	13,090	(5,136)
	Total comprehensive income (expense) for the period	29,485	(50,182)
Profit (loss) for the period attributable to:			
	Owners of the Company:	16,448	(44,989)
	Non-controlling interests	(53)	(57)
		16,395	(45,046)
	Total comprehensive income (expense) for the period attributable to:		
	Owners of the Company	30,553	(50,125)
	Non-controlling interests	(1,068)	(57)
		29,485	(50,182)
		HK cents	HK cents
Earnings (loss) per share			
	Basic	1.49	(4.09)
	Diluted	1.49	(4.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,294,584	1,298,252
Right-of-use assets		14,594	18,189
Prepaid lease payments		168,748	168,849
Goodwill		464,797	464,797
Intangible assets		98,028	92,185
Financial assets at fair value through other comprehensive income		21,597	21,289
Investment in an associate		29,295	27,671
Deposits for acquisition of property, plant and equipment		58,701	20,387
Other assets		40,464	39,888
Deferred tax assets		10,232	9,976
		<u>2,201,040</u>	<u>2,161,483</u>
Current assets			
Inventories		392,904	365,994
Trade and other receivables	9	426,122	303,154
Cash and bank balances		313,890	250,501
		<u>1,132,916</u>	<u>919,649</u>
Assets classified as held for sale		250,332	251,749
		<u>1,383,248</u>	<u>1,171,398</u>

		At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
	<i>Note</i>		
Current liabilities			
Trade and other payables	10	1,035,932	847,653
Contract liabilities		202,178	202,149
Warranty provision		5,788	7,690
Lease liabilities		9,196	8,557
Tax liabilities		11,669	10,826
Bank and other borrowings		1,119,977	891,897
		<u>2,384,740</u>	1,968,772
Liabilities classified as held for sale		<u>2,138</u>	2,141
		<u>2,386,878</u>	1,970,913
Net current liabilities		<u>(1,003,630)</u>	(799,515)
Total assets less current liabilities		<u>1,197,410</u>	1,361,968
Non-current liabilities			
Bank and other borrowings		110,945	293,376
Deferred revenue		46,545	47,943
Deferred tax liabilities		31,088	37,026
Lease liabilities		5,872	10,148
		<u>194,450</u>	388,493
Net assets		<u><u>1,002,960</u></u>	<u><u>973,475</u></u>
Capital and reserves			
Total equity attributable to owners of the Company			
Share capital	11	55,011	55,011
Share premium and reserves		1,019,248	988,695
		<u>1,074,259</u>	1,043,706
Non-controlling interests		<u>(71,299)</u>	(70,231)
Total equity		<u><u>1,002,960</u></u>	<u><u>973,475</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The Directors of the Company (the “**Directors**”) consider that the Company’s parent company is China Hi-Tech Holding Company Limited, a company incorporated in Hong Kong and its ultimate holding company is China National Machinery Industry Corporation (中國機械工業集團有限公司), a state-owned enterprise established in the People’s Republic of China (the “**PRC**”) under the direct supervision and administration of, and is beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual period beginning on 1 January 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRSs in the current period had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on the performance of each group company.

In prior years, the Group had three reportable segments: (i) manufacture and sale of dyeing and finishing machines; (ii) manufacture and sale of stainless steel casting products; and (iii) trading of stainless steel supplies.

During the period ended 30 June 2025, the CODM started to review information under a new reporting structure, and segment reporting is updated to conform to this change. The Group's management is of the view that this change of segment disclosure better reflects the Group's updated business strategies, the development phases of various businesses and the financial performance, and better aligns with the Group's resource allocation.

The updated reportable segments comprise (i) manufacture and sale of dyeing and finishing machines; and (ii) manufacture and sale of stainless steel casting products and stainless steel supply chain, which is aggregated by the former manufacture and sale of stainless steel casting products and trading of stainless steel supplies segments. The Group's management periodically reviews their developments, and dynamically adjust resource allocation and strategies.

Segment revenues and results

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

For the six months ended 30 June 2025 (unaudited)

	Manufacture and sale of dyeing and finishing machines <i>HK\$'000</i>	Manufacture and sale of stainless steel casting products and stainless steel supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales	867,242	226,417	1,093,659
Inter-segment sales	851	33,490	34,341
Segment revenue	<u>868,093</u>	<u>259,907</u>	1,128,000
Elimination			<u>(34,341)</u>
Group revenue			<u>1,093,659</u>
Results			
Segment profit	<u>24,021</u>	<u>22,433</u>	46,454
Interest income			198
Finance costs			(25,613)
Share of results of an associate			<u>334</u>
Profit before tax			<u>21,373</u>

For the six months ended 30 June 2024 (unaudited) (as restated)

	Manufacture and sale of dyeing and finishing machines <i>HK\$'000</i>	Manufacture and sale of stainless steel casting products and stainless steel supply chain <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales	704,066	201,436	905,502
Inter-segment sales	<u>1,772</u>	<u>38,572</u>	<u>40,344</u>
Segment revenue	<u><u>705,838</u></u>	<u><u>240,008</u></u>	945,846
Elimination			<u>(40,344)</u>
Group revenue			<u><u>905,502</u></u>
Results			
Segment (loss) profit	<u><u>(10,350)</u></u>	<u><u>6,759</u></u>	(3,591)
Interest income			525
Finance costs			(38,106)
Share of results of an associate			<u>3</u>
Loss before tax			<u><u>(41,169)</u></u>

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

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

Geographical information

The Group's operations are located mainly in Hong Kong, Mainland China and Germany.

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

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Mainland China	469,513	388,922
Hong Kong	36,661	24,857
Asia Pacific (other than Mainland China and Hong Kong)	318,329	214,469
Europe	177,173	187,537
North and South America	84,294	77,777
Others	7,689	11,940
	1,093,659	905,502

5. FINANCE COSTS

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on borrowings	23,034	35,875
Interest on lease liabilities	370	226
Bank charges	2,209	2,005
	25,613	38,106

6. PROFIT (LOSS) BEFORE TAX

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit (loss) before tax has been arrived at after (crediting) charging:		
Other gains:		
Gain on disposal of property, plant and equipment	(2,036)	(970)
Foreign exchange loss (gain), net	280	(1,531)
Total other gains	(1,756)	(2,501)
Depreciation and amortisation:		
Amortisation of intangible assets	481	137
Depreciation		
– owned assets	33,110	37,005
– right-of-use assets	6,307	5,591
Total depreciation and amortisation	39,898	42,733

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current period	1,754	435
PRC Corporate Income Tax:		
Current period	9,086	4,033
Under-provision in prior years	–	4
Overseas income tax:		
Current period	75	17
Under-provision in prior years	–	873
	<u>10,915</u>	<u>5,362</u>
Deferred tax	<u>(5,937)</u>	<u>(1,485)</u>
	<u><u>4,978</u></u>	<u><u>3,877</u></u>

8. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u><u>16,448</u></u>	<u><u>(44,989)</u></u>
	'000	'000
Number of ordinary shares for the purpose of basic earnings (loss) per share	<u><u>1,100,217</u></u>	<u><u>1,100,217</u></u>

Diluted earnings (loss) per share for the periods ended 30 June 2025 and 2024 are same as the basic earnings (loss) per share as the Company has no potential ordinary shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
Trade receivables	255,150	200,762
Less: Loss allowance	<u>(509)</u>	<u>(633)</u>
	254,641	200,129
Bills receivable	<u>107,013</u>	<u>51,376</u>
	361,654	251,505
Prepayments	24,560	22,879
Other receivables	<u>39,908</u>	<u>28,770</u>
Total trade and other receivables	<u>426,122</u>	<u>303,154</u>

The Group allows an average credit period of 60 days (2024: 60 days) to its trade customers.

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

	At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
0–60 days	218,567	175,934
61–90 days	11,955	3,739
Over 90 days	<u>24,119</u>	<u>20,456</u>
	<u>254,641</u>	<u>200,129</u>

10. TRADE AND OTHER PAYABLES

	At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
Trade payables	255,516	245,098
Bills payables	127,299	54,535
	382,815	299,633
Interest payable	29,239	29,951
Amount due to intermediate holding company (<i>Note i</i>)	43,820	43,196
Amount due to fellow subsidiary (<i>Note i</i>)	54,775	–
Loan from immediate holding company (<i>Note ii</i>)	135,000	135,000
Loan from fellow subsidiary (<i>Note iii</i>)	36,151	–
Payroll payables	68,205	63,623
Payables for property, plant and equipment	9,258	8,082
Payables for raw materials with unreceived invoices	97,351	83,230
VAT and other tax payables	27,860	49,046
Accrued commission and other operation expenses	90,595	81,685
Others	60,863	54,207
	1,035,932	847,653

Notes:

- (i) The amounts due were unsecured, interest-free and repayable on demand.
- (ii) The loan was unsecured, interest bearing at a fixed rate of 3% per annum and repayable within one year.
- (iii) The loan was unsecured, interest bearing at loan prime rate and repayable within one year.

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

	At 30 June 2025 (unaudited) HK\$'000	At 31 December 2024 (audited) HK\$'000
0–90 days	242,550	225,787
91–120 days	9,063	12,300
Over 120 days	3,903	7,011
	255,516	245,098

The average credit period on purchase of goods is 90 days (2024: 90 days). The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

11. SHARE CAPITAL

	At 30 June 2025 (unaudited)		At 31 December 2024 (audited)	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares	<u>2,000,000,000</u>	<u>100,000</u>	<u>2,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At 1 January 2024, 31 December 2024 and 30 June 2025	<u>1,100,216,570</u>	<u>55,011</u>	<u>1,100,216,570</u>	<u>55,011</u>

12. SHARE OPTION SCHEME

The Company adopted the share option scheme (the “**Scheme**”) on 21 May 2015 for the purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group. The Scheme had been valid and effective for a period of ten years commencing on the adoption date and was expired on 21 May 2025. Up to the expiry of the Scheme, there were no outstanding options available and no further options had thereafter been granted since then.

In addition to the information disclosed in the section “Share Option Scheme” on page 127 of the Annual Report 2024, the Company would like to provide the following supplemental information in relation to the Scheme.

The total number of shares available for issue under the Scheme as at 31 December 2024 and the date of approval for issuance of the Annual Report 2024 was 110,021,657 representing 10% of the total issued shares of the Company as at 31 December 2024 and the date of the Annual Report 2024.

The above supplemental information does not affect other information disclosed in the Annual Report 2024. Save as disclosed above, the other information contained in the Annual Report 2024 remains unchanged.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2025 (the “**Period**”), the CODM have begun reviewing information based on the new reporting structure, and the segment reporting has been updated accordingly. The newly reportable segments include (i) manufacture and sale of dyeing and finishing machines, and (ii) manufacture and sale of stainless steel casting products and stainless steel supply chain. The Group’s management believes that this change in segment disclosure better reflects the Group’s latest business strategies, the development stages and financial performance of each business, and aligns more closely with the Group’s resource allocation.

In the first half of 2025, the Group has been operating in an uncertain economic environment, but at the same time, it maintained stability and resilience amid adversity, actively reducing costs and enhancing efficiency to ensure the sustainable development of all business segments. During the Period, the Group recorded a consolidated revenue of approximately HK\$1,094,000,000, representing an increase of 21% as compared to approximately HK\$906,000,000 in the corresponding period last year, of which dyeing and finishing machinery business accounted for 79% and stainless steel casting products and stainless steel supply chain business accounted for 21%. The profit attributable to owners of the Company for the Period was approximately HK\$16,000,000 (for the six months ended 30 June 2024: loss of approximately HK\$45,000,000). Both basic and diluted earnings per share were 1.49 HK cents as compared to loss per share of 4.09 HK cents for the corresponding period last year.

Manufacture and sale of dyeing and finishing machines

During the Period, this business segment recorded a revenue of approximately HK\$867,000,000, accounting for 79% of the Group’s revenue and representing an increase of 23% from approximately HK\$704,000,000 in the corresponding period last year. In particular, combined sales from the Hong Kong and Mainland China markets bounced back significantly by 27% from approximately HK\$327,000,000 in the corresponding period last year to approximately HK\$414,000,000; while sales from overseas markets were approximately HK\$453,000,000, representing an increase of 20% from approximately HK\$377,000,000 in the corresponding period last year. An operating profit of approximately HK\$24,000,000 was recorded for the Period as compared to an operating loss of approximately HK\$10,000,000 for the corresponding period last year. The business performance during the Period has significantly improved compared to the corresponding period last year.

In response to the current uncertain operating environment, the Group will continue to adopt a series of cost-cutting and efficiency-enhancing measures, and implement cost control measures throughout the entire operating structure, not only in production operations, but also in sales, administration and other functional departments.

Internally, we have implemented prudent supervision of its financial position and other initiatives to enhance inventory control, stringent management of trade receivables and more reasonable disposal of assets in order to maintain adequate cash flow. We have formulated plans for production capacity according to actual demand, strengthened the supply chain management capabilities, reinforced the manufacturing processes, optimised the process structures and improved the production bottlenecks. The Group will continue to be efficiency-driven, focusing more on intelligent manufacturing processes, improving production capacity, and conducting transformation in its digital factories. Notwithstanding the fact that the Group has already moderately reduced its workforce, the layoffs mainly involved non-production staff, and resources have been invested in further training of skilled workers, which has achieved cost savings as well as improvement in output quality. Moreover, the Group will consider to increase the proportion of subcontracting to supplement our existing labour force, so that we can have better control of our fixed labour costs and have the flexibility to meet emergency orders.

On the market side, we should strengthen marketing efforts to respond to the market change promptly, 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.

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 and development 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.

Manufacture and sale of stainless steel casting products and stainless steel supply chain

For the six months ended 30 June 2025, this business segment recorded a revenue of approximately HK\$226,000,000, accounting for 21% of the Group's revenue and representing an increase of 12% as compared to approximately HK\$201,000,000 for the corresponding period last year. Operating profit for the Period amounted to approximately HK\$22,000,000, while the operating profit for the corresponding period last year was approximately HK\$7,000,000. During the Period, the Group has continued to optimise its organisational structure through effective management measures and strengthened efforts in implementing cost reduction and efficiency enhancement, enabling the gross profit margin returned to its previous normal level.

The main products of stainless steel casting products business 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, Japan and China. Over the past few years, the management team has been working hard to broaden customer base and explore potential collaboration opportunities, and has laid down a solid foundation for long-term development of this business segment in the future by focusing on the development of unique and high-end casting products, which are expected to be the growth engine of the segment. Given the uncertainties surrounding the prevailing macroeconomic environment, we will continue to upgrade and transform our production facilities, moderately increase automation, optimise the production processes to partially hedge the soaring energy and labour costs, thereby enhancing capacity and operational efficiency to support the development of a casting product mix that delivers higher output value.

For stainless steel supply chain business, the Group has been engaged in the trading of stainless steel supplies since 1988 and has established a strong relationship with some of the world's leading steel mills. As such, the Group is able to provide reliable quality and diversified stainless steel supplies to end-customers, as well as procure stainless steel raw materials for the Group's dyeing and finishing machines business and effectively control procurement costs. 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 Group remains optimistic about this business segment and the Board believes that the market demand for quality stainless steel castings and stainless steel materials will continue to grow in the medium to long term, the operating revenue of this business segment will maintain a moderate growth, bring sustained profit contribution to the Group.

OUTLOOK

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

In the first half of 2025, facing multiple challenges such as intensified industry competition and fluctuating raw material prices, the Group has focused on its annual work plan of "winning the tough battle of reform and overcoming difficulties, expanding and strengthening its two core businesses, and improving its risk and compliance management system. We will stay focused on our goals, drive execution with rigor, leverage collective intelligence for effective strategies, and unite strengths to pioneer new frontiers. We have achieved substantial and effective progress, with overall performance continuing its steady upward trend.

In the second half of 2025, entering a new phase and facing new circumstances, the Company will continue to reform its management system, optimise resource allocation, strengthen the team's implementation capabilities, increase operational efficiency, in order to implement the planning and deployment of the work in the second half of the year into indicator decomposition, action execution, and result realisation. We will ensure the full achievement and surpassing of annual performance targets, steer the Company steadily along the path of high-quality development and mark 2025 with remarkable achievements.

Looking ahead, the Group will adopt prudent and flexible strategies to maintain its strategic strength and operational resilience in a rapidly changing and uncertain business environment. At the same time, the Group will actively explore opportunities in emerging markets such as Southeast Asia and build a diversified global business layout. We firmly believe that through market expansion, production capacity optimisation, system improvement, continuous investment in innovation and strategy implementation, the Group will continue to consolidate and strengthen its leading edge in the industry, seize the opportunity in the reform and achieve the long-term value of sustainable high-quality development.

HUMAN RESOURCES

As at 30 June 2025, the Group had a total of 1,840 employees (31 December 2024: approximately 1,900 employees) in Mainland China, Hong Kong, Germany and Austria. The Group will continue to monitor the market situation and revamp its manpower and workforce structure in order to achieve a better match of manpower to enhance operational efficiency.

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 the first half of 2025, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK\$256,000,000 (First half of 2024: HK\$254,000,000), accounting for 23% (First half of 2024: 28%) 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 to ensure that the Group can continue to operate as a going concern. During the Period, the Group met its funding requirements in the ordinary and usual course of business with cash flow generated from operating activities, banking facilities and debt financing. The management believes that the Group's current cash and cash equivalents, together with available credit facilities and anticipated cash flow from operations, will be sufficient to meet its current operational requirements.

During the six months ended 30 June 2025, the net cash outflow used in the Group's operating activities was approximately HK\$5,000,000. As at 30 June 2025, the Group's inventory level increased to approximately HK\$393,000,000 as compared to approximately HK\$366,000,000 as at 31 December 2024.

As at 30 June 2025, the Group had bank and other borrowings of approximately HK\$1,231,000,000. The bank and other borrowings were raised in Mainland China and Hong Kong, of which 68% were denominated in Renminbi and 32% in Hong Kong dollars. The Group's bank and other borrowings mainly bear interests at floating rates and fixed rates.

As at 30 June 2025, the Group's bank balances and cash amounted to approximately HK\$314,000,000, of which 42% was denominated in Renminbi, 25% in Hong Kong dollars, 21% in Euros, 11% in United States dollars and the remaining 1% in other currencies.

The Group continued to pursue prudent financial management policies during the Period. As at 30 June 2025, the Group's gearing ratio, defined as net bank and other borrowings (other than payables in ordinary course of business) over total equity, decreased to 91% (31 December 2024: 96%) and its current ratio was 0.47 (31 December 2024: 0.59). The Group will continue to consider different financing methods to improve its existing financial position and reduce the leverage level of the Group.

The Group's sales are mainly denominated in Renminbi, United States dollars or Euro, while its purchases are mainly denominated in Renminbi, United States dollars, Euro or Hong Kong dollars, the Group does not expect to be exposed to significant exchange rate risk in either area. The Board will continue to actively monitor exchange rate fluctuations and adopt appropriate measures to mitigate the Group's currency risk based on the Group's operational needs.

PROPOSED VERY SUBSTANTIAL DISPOSAL IN RELATION TO LAND USE RIGHTS RESUMPTION

Background

Reference is made to (i) the announcement of the Company dated 11 April 2025 regarding the proposed very substantial disposal in relation to Land Use Rights Resumption (“**April 2025 Announcement**”); and (ii) the supplemental inside information announcement of the Company dated 14 May 2025 regarding termination notice in relation to the Xiangshan Avenue Land Resumption (“**Supplemental Inside Information Announcement**”, together with the April 2025 Announcement, the “**Announcements**”).

As stipulated in the Announcements, Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd.* (立信門富士紡織機械(中山)有限公司), an indirect wholly-owned subsidiary of the Company, intends to enter into a resumption agreement regarding state-owned land use rights at Cuicheng Road (“**Cuicheng Road Land**”) with Zhongshan City Land Reserve Centre* (中山市土地儲備中心) and Zhongshan Cuiheng New District Management Committee* (中山翠亨新區管理委員會) (“**Cuicheng Road Land Resumption**”). Pursuant to the Listing Rules, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Cuicheng Road Land Resumption (if proceeded with) constitutes a very substantial disposal of the Company, and is therefore subject to reporting, announcement, circular and approval of Company’s shareholders requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Cuicheng Road Land Resumption agreement has not yet been executed, and remains subject to the approval of the shareholders at the proposed special general meeting. With reference to the further delay in despatch of circular announcement of the Company dated 30 June 2025, a circular in connection with the Cuicheng Road Land Resumption containing, among others, (i) further information in relation to the Cuicheng Road Land Resumption; (ii) independent valuation report in relation to the Cuicheng Road Land; (iii) the notice convening the special general meeting; and (iv) other information as required under the Listing Rule will be despatched, together with the notice of the special general meeting, on or before 31 December 2025.

Although the Board was informed of the progress of the land use rights resumption (including Cuicheng Road Land Resumption and Xiangshan Avenue Land Resumption¹, together the “**Land Use Right Resumption**”) prior to the publication of the April 2025 Announcement, it is with regret that due to an inadvertent oversight and in the haste of publishing the April 2025 Announcement, the Company did not comply in full with its internal control procedures and obtain the final approval from the Board prior to the publication of the April 2025 Announcement. Notwithstanding this, the preparation and review of the April 2025 Announcement were conducted in strict accordance with the Company’s established procedures by the senior management of the Company, thereby ensuring the accuracy and completeness of the information disclosed. The Company recognises this is a one-off incident resulting from the unusual circumstances, and subsequent Board meeting was held after the publication of the April 2025 Announcement where the Board reaffirmed the contents of the same.

The Board considers that the above incident does not constitute a breach of the Company’s memorandum of association and bye-laws (“**Bye-laws**”). All requirements under the Bye-laws have been, and will be, complied with in respect of the Cuicheng Road Land Resumption and related matters. The Company has also complied with all applicable requirements under the Listing Rules in respect of this transaction.

Furthermore, all relevant information as required by applicable Listing Rules relating to the Land Use Rights Resumption has already been fully disclosed in the April 2025 Announcement. The information provided was, to the best of the Company’s knowledge and belief, accurate and complete in all material respects and not misleading or deceptive.

In particular, as disclosed in the April 2025 Announcement, the counterparties of Land Use Rights Resumption, Zhongshan City Land Reserve Centre* (中山市土地儲備中心) and Zhongshan Cuiheng New District Management Committee* (中山翠亨新區管理委員會) are governmental authorities of the PRC, which are in turn controlled by the Zhongshan City Municipal Government and People’s Government of Guangdong Province, and ultimately controlled by The State Council of the PRC. On the other hand, the ultimate controlling shareholder of the Company, is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, a commission under the direct control of The State Council of the PRC, and is not under control of any local government authorities. Other than the above relationship, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the counterparties and their ultimate beneficial owners are independent of the Company and its connected person, including the ultimate controlling shareholder of the Company. The Land Use Rights Resumption has been negotiated on an arm’s length basis and is in the interests of the Company and its shareholders as a whole. No individual Shareholder or third party has or is anticipated to gain any undisclosed or additional benefit from the Land Use Rights Resumption, and the Company is committed to uphold the transparency and fairness in all of its operations and transactions.

¹ As disclosed under the Supplemental Inside Information Announcement, the resumption of a portion of land parcel at Xiangshan Avenue has been terminated. As a result, the remaining part of the proposed transaction that the Company intends to pursue is the Cuicheng Road Land Resumption.

As required by the Listing Rules, the valuation report prepared by a qualified independent valuer will also be contained in the circular for shareholders' information. Shareholders should refer to the circular to be published in due course.

Remedial Measures

To prevent any recurrence of such procedural lapse, the Company has undertaken a comprehensive review of its internal control framework and has implemented a series of robust remedial measures. These include the upgrade of the Company's approval system for announcements and circulars to a multi-layer, computerised, and centralised platform, ensuring that all draft announcements and circulars are subject to rigorous review and approval by relevant senior management and the Board before publication. The upgrade of the Company's approval system was completed in July 2025 and is now in full operation. The system has also been integrated into the Company's internal control framework. Reminders have also been issued to relevant departments to reinforce the importance of completing all requisite steps prior to the publication of any announcement.

In addition, the Company will implement a comprehensive training programme for all directors, senior management, and department heads, which cover key legal topics including but not limited to the requirements for notifiable transactions under the Listing Rules, corporate governance requirements, and consequences of non-compliance. The first training session was held in August 2025. Building on this, the Company will continue to conduct further targeted training sessions on an ongoing basis throughout the year. Refresher courses on corporate governance, as well as updates on the Listing Rules and relevant laws and regulations will also be provided to the Directors, senior management, and department heads on an annual basis. Whenever a new director, member of senior management, or department head is appointed, the Company will provide induction training prior to their assumption of duties. All training sessions will be delivered by qualified professionals.

Furthermore, as at the date of this announcement, the Company is in the process of selecting and engaging an independent internal control consultant to conduct a thorough review of its internal control policies and procedures, with periodic follow-up assessments to ensure ongoing compliance and continuous improvement. It is anticipated that the independent consultant will commence a thorough review of the Company's existing internal control policies and procedures relating to the preparation, approval, and publication of announcements and circulars in September 2025, and the Company expects to spend approximately one month developing and refining its internal control measures in line with the recommendations set out in the internal control report. In addition, the Company's internal audit team will also carry out regular reviews and assessments of these measures to ensure their continued effectiveness.

Commitment to Good Corporate Governance

The Board is firmly committed to upholding the highest standards of corporate governance. The Company will continue to review and enhance its internal control systems, ensure transparency in its operations, and safeguard the interests of all shareholders. Through these ongoing efforts, the Company aims to maintain robust compliance with all applicable laws, regulations and the Listing Rules, and to foster a culture of integrity and accountability at all levels.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Having made specific enquiry by the Company, all the Directors have complied with the required standard as set out in the code of conduct regarding securities transactions by the Directors adopted by the Company during the six months ended 30 June 2025.

CORPORATE GOVERNANCE

During the six months ended 30 June 2025, the Company has complied with all of the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules.

AUDIT COMMITTEE

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

The Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2025 have been reviewed by the Audit Committee, which is of the opinion that such statements complied with the applicable accounting standards, Listing Rules and legal requirements, and that adequate disclosures have been made.

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

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fongs.com). The Interim Report of the Company for the six months ended 30 June 2025 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 28 August 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.

** For identification purposes only*