



**ANNUAL
REPORT
2025**

CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)

**GREEN
INNOVATION
GLOBALISATION**



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CORPORATE INFORMATION

CHAIRMAN EMERITUS

Mr. Fong Sou Lam

BOARD OF DIRECTORS

Executive Directors

Mr. Guan Youping (*Chairman*)
Mr. Chen Peng (*General Manager*)

Non-executive Director

Mr. Fong Kwok Leung, Kevin

Independent Non-executive Directors

Mr. Tong Wing Chi (*Lead INED*)
Dr. Jiang Gaoming
Dr. Chen Ying

COMPANY SECRETARY

Mr. Lee Che Keung

AUTHORISED REPRESENTATIVES

Mr. Chen Peng
Mr. Lee Che Keung

AUDIT COMMITTEE

Mr. Tong Wing Chi (*Committee Chairman*)
Dr. Jiang Gaoming
Dr. Chen Ying

REMUNERATION COMMITTEE

Dr. Chen Ying (*Committee Chairman*)
Mr. Guan Youping
Mr. Chen Peng
Mr. Tong Wing Chi
Dr. Jiang Gaoming

NOMINATION COMMITTEE

Mr. Guan Youping (*Committee Chairman*)
Mr. Chen Peng
Mr. Tong Wing Chi
Dr. Jiang Gaoming
Dr. Chen Ying

LEGAL ADVISER

Reed Smith Richards Butler LLP

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS IN HONG KONG

Chong Hing Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

PRINCIPAL BANKERS IN THE PEOPLE'S REPUBLIC OF CHINA

Industrial Bank Co., Ltd.
China CITIC Bank Corporation Limited
Bank of China Limited
China Everbright Bank Co., Ltd.
China Resources Bank of Zhuhai Co., Ltd.

BERMUDA PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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(Bermuda) Limited
Canon's Court, 22 Victoria Street
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Hamilton HM EX
Bermuda

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WEBSITE ADDRESS

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of CHTC Fong's International Company Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present to the shareholders the annual report of the Group for the year ended 31 December 2025.



In 2025, against the backdrop of high inflation and divergent monetary policies, the global economy continued its moderate and unbalanced recovery momentum. Although inflationary pressures have slightly eased in some major economies, the rising geopolitical risks, energy price fluctuations, and the rise of trade protectionism still posed challenges to the global business operating environment. Faced with the ever-changing external environment and numerous challenges, the Group moves forward cautiously, adheres to the principle of prudent operation in the face of adversity, and continues to promote cost reduction and efficiency improvement measures to ensure the long-term stability and sustainable development of its business segments.

With effective cost control and lean management, the Group has achieved a turnaround from loss to profit during the year. During the year under review, the overall performance of the Group was robust, with consolidated revenue increasing by 9% to approximately HK\$2,147,000,000. Among this, the dyeing and finishing machines business accounted for 78% of the Group's total revenue, while the stainless steel casting products and stainless steel supply chain business accounted for 22%. Profit attributable to owners of the Company amounted to approximately HK\$4,000,000 (2024: loss of approximately HK\$118,000,000), representing a significantly improvement over the last year.

CHAIRMAN'S STATEMENT

With the overall manufacturing investment atmosphere remaining sluggish, the demand structure for dyeing and finishing equipment market is undergoing significant transformation towards diversification. The current customers' requirements for equipment are no longer limited to price competition, but place greater emphasis on production efficiency, energy efficiency and automation level to further reduce labour costs. Concurrently, there is heightened focus on the scalability of digital systems and specialised designs and technical standards tailored to different industries. In the face of this market transformation trend, the Group's dyeing and finishing machine manufacturing business will continue to deepen technological transformation and product upgrades, promote the research and development, application of high value-added and customised solutions, in order to strengthen competitive advantages and meet diverse customer needs. The Group will also simultaneously enhance capacity utilisation, refine manufacturing processes, and strengthen its talent development framework to support long-term stable business growth.

Looking ahead to 2026, there is still a high degree of uncertainty in the global economic outlook. The development of geopolitical situations in the Middle East and Eastern Europe, adjustments in monetary policies of major economies, and fluctuations in global logistics and raw material costs may all pose sustained challenges to business operations.

Faced with a complex and ever-changing external environment, the Group will continue to uphold the concept of high-quality development, deepen our core business layout, and prudently respond to various operational risks. The Group plans to moderately increase research and development investment, closely track market trends, and launch more competitive and efficient products to meet customer and industry needs. At the same time, the Group will further strengthen the construction of its sales team and technical service capabilities, laying a solid foundation for maintaining its leading edge in the new market cycle and continuing to create long-term value for shareholders, employees, and the society.

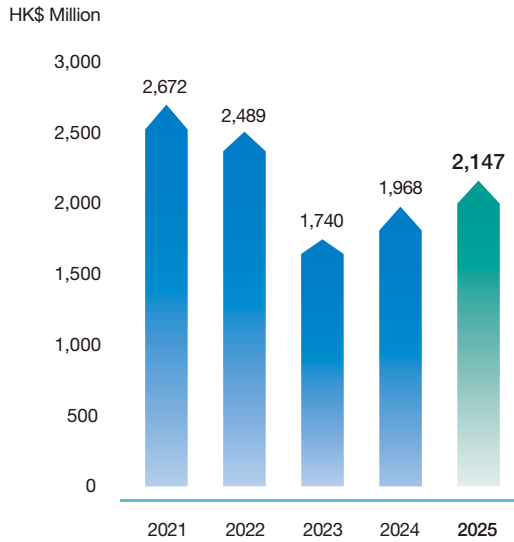
On behalf of the Board, I sincerely thank the management and all employees for their dedication and perseverance in the face of difficulties over the past year. I also thank our shareholders, customers, suppliers, banking partners, and stakeholders for their continued support and trust in the Group. We will continue to have confidence and responsibility to create sustained and long-term value for our shareholders, and work together towards a more stable and sustainable future.

Guan Youping
Chairman

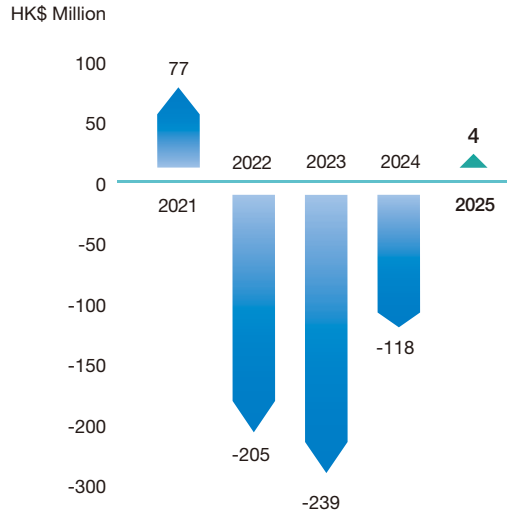
Hong Kong, 17 March 2026

FINANCIAL HIGHLIGHTS

REVENUE

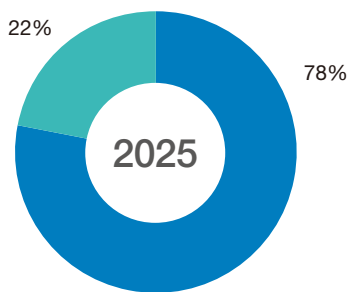


PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY



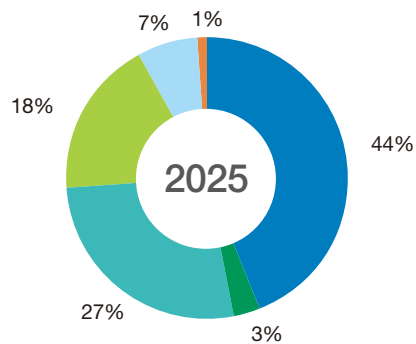
ANALYSIS OF REVENUE FOR THE YEAR

By principal activity



- Manufacture and sale of dyeing and finishing machines
- Manufacture and sale of stainless steel casting products and stainless steel supply chain

By geographical region



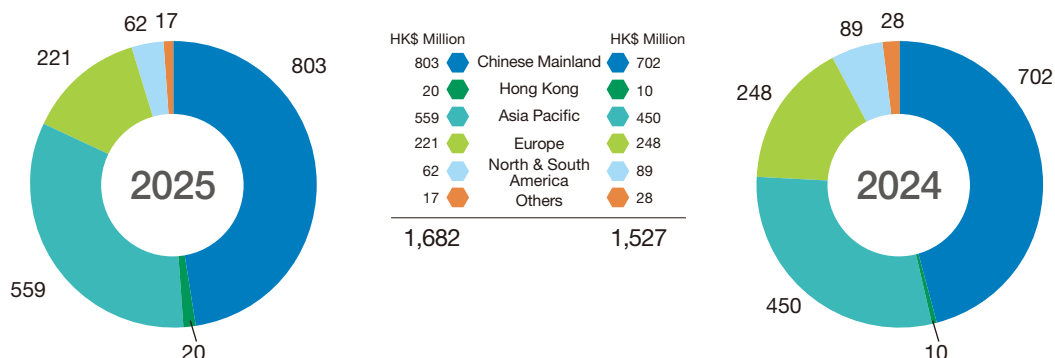
- Chinese Mainland
- Hong Kong
- Asia Pacific (other than Chinese Mainland & Hong Kong)
- Europe
- North & South America
- Others

FINANCIAL HIGHLIGHTS

ANALYSIS OF REVENUE FOR THE YEAR *(Continued)*

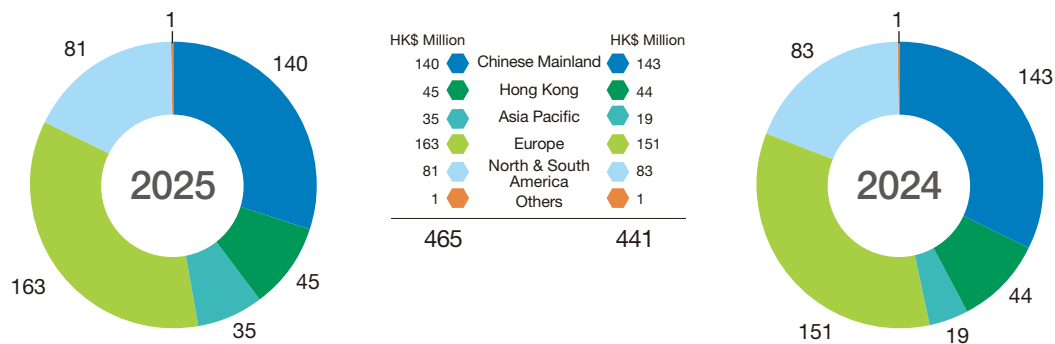
Manufacture and Sale of Dyeing and Finishing Machines

By geographical region



Manufacture and Sale of Stainless Steel Casting Products and Stainless Steel Supply Chain

By geographical region



Note: The comparative segment information has been restated to reflect the change of the reporting segments of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Chairman Emeritus

Mr. Fong Sou Lam, aged 91, is the founder of the Group and the Chairman Emeritus of the Company. With his keen vision and judgment, Mr. Fong founded the dyeing and finishing machinery manufacturing business in Hong Kong in 1963, expanding the textile dyeing and finishing equipment business from China to the world, and has extensive business experience in the industry.

MEMBERS OF THE BOARD OF DIRECTORS

Chairman and Executive Director

Mr. Guan Youping, aged 58, joined the Group on 18 October 2019 and is currently an Executive Director and the Chairman of the Board of the Company. Mr. Guan is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Guan obtained a Bachelor's degree in Mechanical Manufacturing Technology and Equipment from Tianjin Institute of Textile Science and Technology (now known as Tianjin Polytechnic University) and a Master's degree in Management Science and Engineering from University of Science and Technology Beijing, and is a senior engineer. With more than 30 years of experience in the textile industry, Mr. Guan is familiar with the products, market and operation characteristics of the textile machinery industry, and has extensive practical experience in lean production, technology research and development, marketing and operation management. Mr. Guan is also a Deputy General Manager of China Hengtian Group Co., Ltd. (中國恒天集團有限公司).

Executive Director

Mr. Chen Peng, aged 53, joined the Group on 4 March 2022 and is currently an Executive Director, the General Manager and a member of the Nomination Committee and Remuneration Committee of the Company. Mr. Chen is primarily responsible for overseeing the overall operations of the Group. Prior to joining the Group, Mr. Chen held various positions in Changde Textile Machinery Co., Ltd. (常德紡織機械有限公司), a subsidiary of China Hengtian Group Co., Ltd. (中國恒天集團有限公司) since 1992, and his last position was the general manager.

Non-executive Director

Mr. Fong Kwok Leung, Kevin, aged 64, is the eldest son of Mr. Fong Sou Lam (the founder of the Group and the Chairman Emeritus and a substantial shareholder of the Company). Mr. Fong holds a Bachelor of Business Administration degree from Simon Fraser University in Canada. Mr. Fong joined the Group in 1986 and was appointed as an Executive Director of the Company on 25 July 1990. Mr. Fong had been responsible for overseeing the Group's stainless steel trading and stainless steel casting business for a long period of time. With effect from 1 October 2016, Mr. Fong has been re-designated from an Executive Director to a Non-executive Director of the Company due to his desire to devote more time to his family business.

Independent Non-executive Directors

Mr. Tong Wing Chi, aged 44, has been appointed as an Independent Non-executive Director, the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 1 March 2022. Mr. Tong has also been appointed as the Lead INED with effect from 1 January 2025. Mr. Tong obtained a Bachelor of Arts (Honors) degree in Accountancy from The Hong Kong Polytechnic University in November 2004 and has been a member of the Hong Kong Institute of Certified Public Accountants since September 2008. Mr. Tong has extensive experience in auditing, accounting and financial reporting. Mr. Tong has been the managing director of Victory Success Consulting Limited since July 2018, Mr. Tong has been an independent non-executive director of Gaoyu Finance Group Limited (a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 8221) since 6 October 2021 and an independent non-executive director of Yida China Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3639) since 13 January 2025. Mr. Tong had served as an independent non-executive director of Greater Bay Area Dynamic Growth Holding Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1189) from 19 September 2022 to 24 August 2023.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Dr. Jiang Gaoming, aged 63, has been appointed as an Independent Non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 1 March 2022. Dr. Jiang obtained a Bachelor's degree in Textiles from Wuxi Institute of Light Industry (無錫輕工業學院) in 1983, a Master's degree in Textiles from the School of Textiles and Clothing at Wuxi University of Light Industry (無錫輕工大學) in 1998 and a Doctorate of Philosophy degree in Textiles from the School of Textiles at Donghua University (東華大學) in 2007. He is currently a professor in the School of Textile Science and Engineering at Jiangnan University (江南大學), the director of the Engineering Research Center of the Department of Education for Knitting Technology at Jiangnan University (江南大學), and the director of the Institute of Knitting Technology at Jiangnan University (江南大學), and has long been engaged in the research on textile equipment intelligence and new textile structural materials.

Dr. Chen Ying, aged 62, has been appointed as an Independent Non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company with effect from 1 March 2024. Dr. Chen obtained a Bachelor's degree in Dyeing and Finishing Engineering from Donghua University (東華大學) (formerly known as Huadong Textile Institute (華東紡織工學院) in 1985, a Master's degree in Textile Chemistry and Dyeing & Finishing Engineering from Donghua University (東華大學) in 1991 and a Doctoral degree in Textile Chemistry and Dyeing and Finishing Engineering from Donghua University (東華大學) in 2007. From 2013 until her retirement in February 2024, Dr. Chen successively served as the researcher and professor in the College of Chemistry, Chemical Engineering and Biotechnology of Donghua University (東華大學), engaged in the teaching and scientific research of textile chemistry and dyeing and finishing engineering for a long time, focusing on the combination of theory and practice, undertaking and completing more than 50 scientific research projects, with long-term cooperation experience with enterprises, and published more than 100 scientific research papers; published 7 textbooks or professional reference textbooks, of which the "Dyeing and Finishing Process Experiment Course" (national textbook) won the third prize of China Textile Industry Federation for scientific and technological progress, the textbook "Dyeing Principle and Program Control" won the third prize of China Textile Industry Federation for excellent publications in 2018; the responsible course "Dyeing and Finishing Process Experiment" was awarded as the Shanghai Excellent Course; she guided students to participate in the "First National College Students Green Dyeing and Finishing Science and Technology Innovation Competition" and won the first prize.

SENIOR MANAGEMENT

Mr. Lei Haohui, aged 47, is the Deputy General Manager of the Company and is mainly responsible for managing the administrative centre of the Company. Mr. Lei graduated from Zhongyuan Institute of Technology with a Bachelor's degree in Mechanical Manufacturing Technology and Equipment and is an engineer. Prior to joining the Group in November 2019, Mr. Lei served as the deputy supervisor and deputy general manager of the assembly workshop of Tianjin Hongda Textile Machinery Co., Ltd. (天津宏大紡織機械有限公司), the assistant to the general manager, deputy general manager, general manager and chairman of Tianjin Textile Machinery Co., Ltd. (天津紡織機械有限責任公司), and the deputy general manager and director of Tianjin Hongda Textile Technology Co., Ltd. (天津宏大紡織科技有限公司). Mr. Lei has many years of experience in the textile machinery industry, is familiar with the product characteristics of the textile machinery industry, and has extensive practical experience in enterprise production and operation, marketing, management improvement, etc.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Wang Zihao, aged 58, is the Deputy General Manager of the Company and is mainly responsible for managing the Legal and Audit Department of the Company. Mr. Wang graduated from the National University of Defense Technology (國防科技大學) with a Bachelor's degree in Engineering in 1991, majoring in precision machinery and instrument manufacturing, and obtained an EMBA degree from Tsinghua University (清華大學) in 2006. Prior to joining the Group on 1 June 2021, Mr. Wang worked for Hi-Tech Heavy Industry Co., Ltd. (恒天重工股份有限公司) and successively held different positions, including technician, engineer, head of sales department, deputy general manager and chief economist. He has extensive experience in enterprise operation, production safety and lean management.

Mr. Liu Jie, aged 36, joined the Company on 10 October 2022 and has been the Financial Controller of the Company since 1 November 2022. Mr. Liu is also responsible for managing the operation of the Group's stainless steel casting and stainless steel supply chain business. Mr. Liu graduated from the International College of Qingdao University (青島大學國際學院) majoring in Accounting in July 2011 and obtained a Bachelor's degree in Management. He is qualified as a member of the Chinese Institute of Certified Public Accountants. Mr. Liu worked for Qingdao Hongda Textile Machinery Co., Ltd. (青島宏大紡織機械有限責任公司) from July 2011 to September 2022, where he was mainly responsible for financial management affairs and finally served as the head of the finance department.

Mr. Ma Jun, aged 56, joined the Company as Assistant to General Manager in September 2023 and has been appointed as a Deputy General Manager of the Company since December 2025. Mr. Ma is currently responsible for supervising the operations of the Group's subsidiaries, Tycon Alloy Industries (Zhongshan) Co., Ltd. (泰鋼合金(中山)有限公司) and Fong's National Engineering (Guangdong) Co., Ltd. (立信染整機械(廣東)有限公司). Mr. Ma graduated from Tianjin Polytechnic University (天津工業大學) in July 1993 with a Bachelor's degree in Engineering, majoring in Machinery, and is a senior engineer. Prior to joining the Group, Mr. Ma held various management positions in several companies, including Qingdao Textile Machinery Electrical Machinery Branch (青島紡機電機分廠), Qingdao Textile Machinery Qingdao Helida Electric Co., Ltd. (青島紡機青島和力達電氣有限公司), Qingdao Textile Machinery Wind Energy Technology Co., Ltd. (青島紡機風能科技有限公司), Qingdao Textile Machinery Weinan Qingfeng Technology Co., Ltd. (青島紡機渭南青鋒科技有限公司), Qingdao Textile Machinery Co., Ltd. (青島紡機股份有限公司), Qingdao Textile Machinery Fleece Electromechanical Technology Co., Ltd. (青島紡機毛絨機電科技有限公司), and Qingdao Hongda Textile Machinery Co., Ltd. (青島宏大紡織機械有限責任公司).

Mr. Volker Gingter, aged 49, graduated from Rheydt Mülfort Engineering College in Germany and is a state-certified electrical engineer. Mr. Volker joined A. Monforts Textilmaschinen GmbH & Co. KG ("German Monforts"), a wholly-owned subsidiary of the Company, in January 2000. He has held various positions, including Engineer, Engineering Service Manager, Head of Service Department, and Head of Spare Parts Department. Mr. Volker has extensive experience in the field of technical textiles. Mr. Volker has been appointed as the Managing Director of A. Monforts Textilmaschinen Verwaltungs GmbH since 1 January 2026 and is primarily responsible for overseeing the operations of German Monforts, including administration, sales and technical services.

Mr. Lee Che Keung, aged 64, is the company secretary of the Company. Mr. Lee graduated from the Hong Kong Polytechnic (which was subsequently renamed the Hong Kong Polytechnic University) with a Professional Diploma in Company Secretaryship and Administration and is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England. Mr. Lee is responsible for the investor relations of the Company and the overall corporate secretarial matters of the Group. Mr. Lee joined the Group in February 1990.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

In 2025, the global economy continued to be affected by shifting geopolitical situations and divergent monetary policies among major economies, with recovery progress remaining uneven. Although inflation moderated compared to the previous year, operating costs remained elevated. Coupled with exchange rate fluctuations and rising capital costs, the business environment remained challenging. Facing a persistently uncertain business climate, the Group responded prudently to market changes, actively optimised its cost structure and enhanced operational efficiency. It remained committed to strengthening the foundation of its core businesses, proactively reducing costs and improving efficiency to ensure the Group's long-term, steady growth.

For the year ended 31 December 2025 (the "Year"), the Group's consolidated revenue increased by 9% to approximately HK\$2,147,000,000 (2024: HK\$1,968,000,000) as compared to last year. Profit attributable to owners of the Company was approximately HK\$4,000,000 (2024: loss of HK\$118,000,000), achieving a turnaround from loss to profit. Both basic earnings per share and diluted earnings per share were 0.38 HK cents for the Year (2024: basic loss per share of 10.76 HK cents).



Panoramic View of the Zhongshan Plants

MANUFACTURE AND SALE OF DYEING AND FINISHING MACHINES

In 2025, the global economy continues to recover at a slower pace amid receding inflation and gradual divergent monetary policies among major central banks. Geopolitical tensions, fluctuating energy costs and regional supply chain restructuring have resulted in no significant improvement in the prosperity of the manufacturing industry. Investment sentiment in the downstream textile and garment sectors remains cautious, with some clients postponing their investment decisions in new equipment. The industry as a whole remains in an adjustment phase. Against this backdrop, the operating environment for the Group's manufacture and sale of dyeing and finishing machines business remains challenging.

During the Year, this business segment recorded a revenue of approximately HK\$1,682,000,000, accounting for 78% of the Group's revenue and representing an increase of 10% from approximately HK\$1,527,000,000 for last year, of which sales from Hong Kong and Chinese Mainland markets were approximately HK\$823,000,000, representing an increase of 16% from approximately HK\$712,000,000 for last year; and sales from overseas markets were approximately HK\$859,000,000, representing an increase of 5% from approximately HK\$815,000,000 for last year. During the Year, this business segment recorded an operating loss of approximately HK\$12,000,000 (2024: operating loss of HK\$34,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Despite stabilising international market orders, competition remains intense amid global supply chain restructuring and pressures on “Made in China”. Throughout the Year, the Group’s management persistently implemented cost-reduction and efficiency-enhancement measures, strengthened financial discipline and inventory management, exercised prudent control over capital expenditure, and actively optimised cash flow management. Through more precise capacity planning and supply chain integration, production flexibility was enhanced to ensure on-time delivery rates and cost-effectiveness.

Regarding market expansion, the Group continues to strengthen brand promotion and market development efforts, focusing on key projects and core customer requirements while striving to enhance product value-added attributes and market competitiveness. Concurrently, we will comprehensively optimise the overseas distribution system, actively cultivate new customer resources, and the pace of emerging market expansion accelerated, propelling the global business towards high-quality, sustainable growth.



Internally, the Group has strengthened coordination and management of the materials supply chain, rationally planning production capacity based on actual demand to ensure robust cash flow and more efficient asset allocation. Furthermore, the proportion of subcontracted management has been increased to flexibly address market fluctuations and sudden surges in order demand, enabling the Group to balance cost control with capacity assurance. During the Year, whilst the Group moderately reduced its workforce, the cuts primarily targeted non-production personnel. Resources were redirected towards further training skilled workers, achieving cost savings whilst enhancing output quality. Moreover, the Group has persistently advanced its digital transformation, deepening the application of digital capabilities within the dyeing and finishing equipment sector. This has further elevated the intelligent operation of equipment and refined production management, laying a solid foundation for constructing an efficient, green smart manufacturing system.

Regarding technological R&D, the Group has closely followed the development directions of intelligentisation, efficiency, energy conservation and environmental protection, continuously increasing investment in technological innovation. During the Year, the Group completed the development of multiple new products featuring proprietary intellectual property, including the GAH salt-free dyeing machine, GYD waterless dyeing machine, ECOWIN high-temperature fibre dyeing machine, ALLFIT-A high-temperature sample dyeing



MANAGEMENT DISCUSSION AND ANALYSIS

machine, ultrasonic degreasing and washing machine, and MF-Coat-Tex24A novel coating machine. These additions further enriched the product portfolio and strengthened the Group's core competitiveness in smart manufacturing and green dyeing and finishing.



Looking ahead, despite ongoing challenges for the global textile manufacturing industry, including high interest rate cycles, geopolitical risks, and market competition, the management remains confident in the Group's strengths in technological innovation, brand reputation, and manufacturing capabilities. The Group will continue to pursue its core strategies of 'innovation-driven development' and 'efficiency enhancement', strengthening its global market footprint, leveraging synergies, and consolidating its industry leadership position.

MANUFACTURE AND SALE OF STAINLESS STEEL CASTING PRODUCTS AND STAINLESS STEEL SUPPLY CHAIN



View of the factory



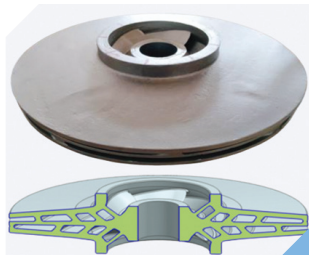
For the year ended 31 December 2025, the Group's operations in manufacture and sale of stainless steel casting products and stainless steel supply chain demonstrated robust performance. This business segment recorded operating revenue of approximately HK\$465,000,000, accounting for 22% of the Group's total operating revenue, representing an increase of 5% compared to approximately HK\$441,000,000 in the previous year. Operating profit increased from approximately HK\$22,000,000 last year to approximately HK\$44,000,000.

During the year, the Group continued to optimise its organisational structure and production processes, advancing the upgrade of automated and intelligent production facilities to enhance process stability and capacity utilisation. Concurrently, the Group strengthened cost control through centralised procurement and rigorous raw material cost management, effectively offsetting the impact of rising energy and labour costs while maintaining healthy cash flow and a stable profit base.

MANAGEMENT DISCUSSION AND ANALYSIS

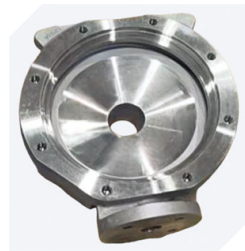
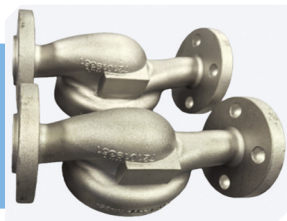
The Group's stainless steel casting products encompass high-quality stainless steel, dual-phase steel and nickel-based alloys, primarily serving as components for industrial equipment in sectors including valves, pumps, petroleum, chemical processing, natural gas and food processing. During the Year, the Group actively expanded into European, Japanese, American and Chinese markets, maintaining robust cooperative relationships with numerous industry-leading equipment manufacturers and steel enterprises. It also continued to pursue high-end casting orders and collaborative opportunities with growth potential. During the Year, the Group developed a large number of new moulds, achieving significant breakthroughs in the research and development of large-scale, complex and specialised material products (including super dual-phase steel and nickel-based alloys). This demonstrates this business segment's continuous enhancement in R&D capabilities and technical proficiency within the precision casting and high-end manufacturing sectors.

The unit weight of super duplex steel split-case pumps has surpassed 2.8 tons



Another breakthrough in the production technology of small-diameter, high-pressure-rating valve bodies, narrow-channel double-suction impellers, and pump casings.

Development of special materials such as M35-1, N7M, and CZ100 to expand into new market segments



Regarding the stainless steel supply chain business, the Group has engaged in stainless steel trading since 1988, establishing a comprehensive trading and supply chain system for stainless steel materials. This enables the provision of stable, reliable and diversified stainless steel raw material supplies to end customers, while also offering crucial cost and quality support for the dyeing and finishing machinery business. Facing uncertainties in the international economic environment, the Group will continue to adhere to prudent and stable operational strategies, persistently enhance product value and supply chain management standards, and drive the sustainable development of stainless steel supply chain business.

The Board believes that with the sustained growth in demand for premium stainless steel materials and precision castings from downstream industries, this business segment will deliver consistent revenue contributions to the Group and become a crucial pillar for long-term business growth.

MANAGEMENT DISCUSSION AND ANALYSIS



Utilizing precision casting, sand casting, photopolymerization, and 3DP rapid prototyping 3D printing equipment in production processes to meet the specific requirements of clients' projects.

New automated production line for large-sized shells has been added, increasing both unit weight and production capacity.



The Tycon Alloy Digitalization Project has been successfully implemented, achieving production transparency and intelligent management. By leveraging its technical strengths in "specialized, distinctive, refined, and sophisticated" technologies, building a digital smart manufacturing facility.



Attending the 2025 TPS Exhibition in the U.S. to engage in in-depth discussions with global clients.

FUTURE DEVELOPMENT

In the foreseeable future, the Group anticipates its operations will continue to face multiple challenges, including global economic volatility, geopolitical risks, and intensifying industry competition.

Within the manufacturing and sales of dyeing and finishing machinery, as the global textile industry progressively evolves towards greener, more efficient, and intelligent development, the dyeing and finishing equipment market will continue upgrading towards energy conservation, emission reduction, automation, and digitalisation. The Group anticipates that overall industry demand will maintain a steady growth trajectory, driven by increasing demand for high-efficiency, energy-saving equipment in major markets and the expansion of dyeing and finishing production capacity in emerging markets.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will fully leverage its position as a leading enterprise in the dyeing and finishing equipment sector to become a world-class flagship manufacturer of such equipment. The Group will continue to prioritise technological innovation as its core competitive strength, increasing R&D investment to drive the transformation towards intelligent, automated production and digital factories. This will enable the provision of more cost-effective and environmentally friendly solutions for customers. In response to challenges such as raw material price volatility and uncertainties in the global trade environment, the management of the Group has formulated corresponding risk mitigation strategies. These involve continuous optimisation of the supply chain and production layout to maintain operational efficiency and market competitiveness.

Within the stainless steel casting manufacturing and sales sector, alongside the stainless steel supply chain domain, the global stainless steel market is projected to experience moderate growth by 2026. The growth rate of the scale of the stainless steel industry is anticipated to exceed the overall growth rate of the steel sector. This will underpin medium-to-long-term demand for cast steel components, although growth rates are expected to remain moderate. Concurrently, the Group will continue to face cost and pricing pressures stemming from fluctuations in stainless steel raw material prices, intensifying domestic and regional competition, and sustained customer pressure on stainless steel castings pricing.

In response to these challenges, the Group's management team will continue to explore new customer sources, seek potential collaboration opportunities, and focus on developing unique, high-end casting products. This approach will lay a solid foundation for the long-term growth of this business. Concurrently, the Group is actively expanding its customer base, diversifying its business portfolio, strengthening its position in advanced precision machining, and is poised for steady business expansion. The Group's management will also closely monitor market developments, respond flexibly to challenges, optimise production capacity, and diversify the supply chain to ensure stable business growth and enhance competitiveness.

Looking ahead, the Group will pursue its mission of "building a flagship dyeing and finishing equipment enterprise to lead industry development, guided by digitalisation, greening, high-end specialisation, and internationalization". Adhering to the operational philosophy of "technology for utility, customer-centricity, and integrity as the foundation", while focusing on its core dyeing and finishing equipment business, the Group will develop its stainless steel casting operations, optimise industrial layout, persist in innovation-driven development, deepen reforms, advance digital transformation, enhance information technology capabilities, and improve corporate performance. This will maintain its leading position in the dyeing and finishing equipment sector and its advantageous standing in stainless steel casting, while comprehensively elevating the Group's operational quality and promoting high-quality development.

HUMAN RESOURCE

As at 31 December 2025, the Group had a total of approximately 1,850 employees (31 December 2024: approximately 1,900 employees) in Chinese Mainland, Hong Kong, Germany and Austria. As at 31 December 2025, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2025, total staff costs (including Directors' emoluments, employees' remuneration and contribution to retirement benefits schemes) amounted to approximately HK\$525,000,000 (2024: HK\$521,000,000), accounting for 24% (2024: 26%) 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 2025, the Group's net cash inflow from operating activities was approximately HK\$79,000,000. As at 31 December 2025, the Group's inventory level increased to approximately HK\$423,000,000 as compared to approximately HK\$366,000,000 as at 31 December 2024.

As at 31 December 2025, bank and other borrowings of the Group amounted to approximately HK\$1,101,000,000. The bank and other borrowings were sourced from Chinese Mainland, with 74% denominated in Renminbi and 26% 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 2025, the Group's bank balances and cash amounted to approximately HK\$199,000,000, of which 58% was denominated in Renminbi, 17% in Euros, 13% in United States dollars, 11% in Hong Kong dollars and the remaining 1% in other currencies.

The Group continued to maintain prudent financial management policies during the Year. As at 31 December 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 93% (31 December 2024: 96%) and its current ratio was 0.42 (31 December 2024: 0.59).

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.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2025.

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 2025, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with the exception of code provision C.1.5. Under the code provision C.1.5, generally speaking, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other pre-arranged business engagement, Mr. Fong Kwok Leung, Kevin was not able to attend the annual general meeting of the Company held on 23 May 2025.

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. The Board has confirmed, following a specific enquiry by the Company, that 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 throughout the year ended 31 December 2025.

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 2025.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board, which assumes the responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The key responsibilities of the Board are to establish strategic direction, general policies and strategic business plans; to monitor and control the operating and financial performance of the Group; to implement the best corporate governance practices throughout the Group; and to set appropriate policies to assess and manage risks in pursuit of the strategic objective of the Group.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and members of the management. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board reserves the right to decide on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

CORPORATE GOVERNANCE REPORT

The Board is led by the Chairman and currently comprises two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Guan Youping (*Chairman*)
Mr. Chen Peng (*General Manager*)

Non-executive Director

Mr. Fong Kwok Leung, Kevin

Independent Non-executive Directors

Mr. Tong Wing Chi
Dr. Jiang Gaoming
Dr. Chen Ying

The biographical details of the current Directors are set out under the section headed “Directors and Senior Management Profile” of this Annual Report. The current composition and structure of the Board are established with reference to the board diversity policy prepared and adopted by the Company. The professional background, skills or experience of the current Directors are also in line with the Group’s demand for all-round sustainable development.

There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board and in particular, between the Chairman and the General Manager.

The Board has delegated a number of responsibilities to the Executive Directors and the management of the Company. The management under the General Manager is responsible for implementing the strategies and business plans set by the Board and to manage the Group’s business operations in accordance with the policies and directives of the Board. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management team. The Board will also review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

The Company has maintained suitable and adequate insurance coverage for all Directors and officers against their liabilities arising from legal actions due to the performance of corporate activities. During the year, no claim was made against any Directors and officers of the Company. The Company reviews the insurance purchased annually to ensure the provision of reasonable and sufficient protection.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

The roles of the Chairman and the General Manager are defined clearly to ensure their accountability and responsibilities with respect to the management of the Company.

During the year, Mr. Guan Youping is the Chairman of the Board. The Chairman focuses on the overall corporate development and strategic directions of the Group, provides leadership to the Board, and oversees the efficient functioning of the Board. The Chairman is also responsible for instilling corporate culture and developing strategic plans for the Group.

During the year, Mr. Chen Peng is the General Manager of the Company. The General Manager is responsible for managing the business of the Group, policy making and corporate management and the implementation of strategies and initiatives adopted by the Board with the support from the management.

CORPORATE CULTURE

The Board has established the purpose, values and strategy of the Group, which align with its culture. It promotes them across different business segments and to all employees at all levels, and embeds the same in business decisions and operations.

Moving forward, the Company will keep upholding the core values, continue to create new competitive advantages and development momentum to enhance our core businesses, provide high-quality products and services to our customers around the world, and aim to realise and maximize value for the stakeholders, thereby maintaining a strong reputation and the leading position in the industry.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Non-executive Director and Independent Non-executive Directors has entered into a service contract with the Company for a term of two years, subject to retirement by rotation and is eligible for re-election in accordance with the provisions of the Bye-laws of the Company.

Mr. Fong Kwok Leung, Kevin has been re-designated from an Executive Director to a Non-executive Director of the Company with effect from 1 October 2016 due to his desire to devote more time to his own family business. The Company entered into a service contract with Mr. Fong for a term of two years commencing on 1 October 2024 and expiring on 30 September 2026 at a director's fee of HK\$180,000 per annum, such service contract is determinable by either party giving to the other party at least one month's prior written notice.

The Company has three Independent Non-executive Directors, representing more than one-third of the members of the Board, of which at least one possesses the appropriate professional qualifications on accounting or related financial management expertise. In compliance with Rule 3.10(2) of the Listing Rules, Mr. Tong Wing Chi, one of the Independent Non-executive Directors, is a member of the Hong Kong Institute of Certified Public Accountants having appropriate qualifications on accounting and related financial management expertise.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence. The Board considers that each Independent Non-executive Directors is independent in character and judgement and that they all meet the specific independence criteria as required under Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Independent Non-executive Directors are expressly identified in all of the Company's publications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed.

The Independent Non-executive Directors will take lead in considering matters which a substantial shareholder or a director has conflict of interest. Board committees comprising Independent Non-executive Directors will be formed to advise the independent shareholders on connected transactions or continuing connected transactions to be approved by the independent shareholders at the special general meeting of the Company.

BOARD MEETINGS

The Board members meet regularly throughout the year to review the overall strategies and to monitor the operations as well as the financial performance of the Group. Senior executives are from time to time invited to attend board meetings to make presentations or answer the Board's enquiries.

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals to discuss the overall strategies as well as the operational and financial performance of the Group. Other board meetings will be held when necessary. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or video conference and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director or their respective associates has a conflict of interest. As some of the Directors are on occasional, and sometimes unexpected, business trips and/or are stationed in different regions of the PRC, it may, in practice, be inconvenient to convene a full board meeting on a frequent basis. Hence, the Board may approve certain issues in the form of a written resolution. With a view to facilitating Directors' attendance at board meetings and committee meetings as well as corporate events, the Company Secretary will seek advice from the Board and prepare an annual meeting plan for the Board. The Board held a total of nine board meetings (including one meeting held regarding matters involving the attendance of Executive Directors only) and passed three written resolutions by way of circulation of board papers during the year ended 31 December 2025. The attendance record of each Director at the board meetings is disclosed below in this report.

In the said board meetings, sufficient fourteen-day notices for regular board meetings and notice in reasonable days for non-regular board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the board meetings and at least three days before the regular board meetings. Sufficient information was also supplied by the management to the Board to enable it to make decisions, which are made in the best interests of the Company. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable prior notice by any Director.

During the year, a meeting of the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the presence of other Executive Directors was held to discuss and review the strategic planning of the Group, and the adequacy of systems and controls in place to safeguard the interests of the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of part 2 of the CG Code. As at the date of this Corporate Governance Report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices; (b) training and continuous professional development of Directors and senior management; (c) the Company's policies and practices on compliance with legal and regulatory requirements; (d) the Company's code of conduct; and (e) the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

BOARD COMMITTEES

The Board has established three Board committees, namely, Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and are posted on the Company's website at <https://www.fongs.com> and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at <https://www.hkexnews.hk>. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

On 28 March 2012, the Board established the Nomination Committee pursuant to the requirements of the CG Code. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s). The terms of reference of the Nomination Committee was revised by the Board on 27 March 2019, which is closely aligned with the CG Code, and are available on the Company's website at <https://www.fongs.com> and the Stock Exchange's website at <https://www.hkexnews.hk>.

During the year and up to the date of this Corporate Governance Report, the members of the Nomination Committee, the majority of which are the Independent Non-executive Directors, are as follows:

Mr. Guan Youping (*Committee Chairman*)
Mr. Chen Peng
Mr. Tong Wing Chi
Dr. Jiang Gaoming
Dr. Chen Ying

The Company recognises and embraces the benefits of having a diverse board to the quality of its performance. The Company adopted a board diversity policy on 28 August 2013 and revised on 27 March 2019 with the aim of setting out the approach to achieve diversity on the Board. In designing the Board's composition, board diversity has been considered to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT

All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee is responsible for monitoring the implementation of the board diversity policy and will at the appropriate time set measurable objectives for achieving diversity of the Board. It is also responsible to consider and recommend to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of Independent Non-executive Directors.

During the year, the Nomination Committee reviewed the structure, size and composition of the Board. It also assessed and confirmed the independence of the Independent Non-executive Directors, and recommended to the Board regarding the re-election of certain existing Directors.

The Nomination Committee held one meeting during the year, and the attendance record of each Committee member is disclosed below in this Corporate Governance Report.

Appointment and re-election of directors

Pursuant to bye-law 99 of the Bye-laws, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that the Chairman and Managing Director (if any) of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. However, for the sake of good corporate governance practice, the Chairman of the Company will retire by rotation. A retiring Director shall be eligible for re-election.

Pursuant to bye-law 102(B) of the Bye-laws, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed by the Board pursuant to bye-law 102(B) of the Bye-laws shall not be taken into account in determining the number of Directors to retire by rotation.

Accordingly, Mr. Guan Youping and Mr. Chen Peng will retire from the Board at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Induction and continuous professional development

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key business sites and/or meetings with the senior management of the Group.

CORPORATE GOVERNANCE REPORT

As from 1 April 2012, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to the Board from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records maintained by the Company, the trainings undertaken by each of the Directors during the year ended 31 December 2025 are summarised as follows:

Name of Director	Trainings undertaken by Director	
	A	B
Executive Directors		
Mr. Guan Youping	✓	✓
Mr. Chen Peng	✓	✓
Non-executive Director		
Mr. Fong Kwok Leung, Kevin	✓	✓
Independent Non-executive Directors		
Mr. Tong Wing Chi	✓	✓
Dr. Jiang Gaoming	✓	✓
Dr. Chen Ying	✓	✓

Notes:

A – Attending courses/seminars on business management, risk management and/or tax compliance

B – Reading materials relating to corporate governance, directors' duties and responsibilities

Remuneration Committee

The Board established a Remuneration Committee in December 2005 with specific terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee were revised by the Board on 27 March 2019. The revised terms of reference, which are closely aligned with the CG Code, are available on the Company's website at <https://www.fongs.com> and the Stock Exchange's website at <https://www.hkexnews.hk>.

During the year and up to the date of this Corporate Governance Report, the members of the Remuneration Committee, the majority of which are the Independent Non-executive Directors, are as follows:

Dr. Chen Ying (*Committee Chairman*)
Mr. Guan Youping
Mr. Chen Peng
Mr. Tong Wing Chi
Dr. Jiang Gaoming

CORPORATE GOVERNANCE REPORT

The Remuneration Committee's role is to make recommendations to the Board on the remuneration policy and structures for Directors and senior management of the Group and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of the shareholders. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all Executive Directors and senior management as well as reviewing and approving performance-based bonuses by reference to corporate goals and objectives resolved by the Board from time to time. In particular, the Remuneration Committee is delegated with the specific task of ensuring that no Director is involved in deciding his own remuneration.

The Remuneration Committee shall hold at least one meeting annually to consider remuneration-related matters. During the year, the Remuneration Committee held one meeting. The attendance record of each member at the Remuneration Committee meeting is disclosed below in the report.

Audit Committee

The Company established its Audit Committee in December 1998. The terms of reference of the Audit Committee were revised by the Board on 27 March 2019 in terms substantially the same as the provisions set out in the CG Code. The revised terms of reference of the Audit Committee are available on the Company's website at <https://www.fongs.com> and the Stock Exchange's website at <https://www.hkexnews.hk>.

The main duties of the Audit Committee are to:

- (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board;
- (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process;
- (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and
- (iv) review the adequacy and effectiveness of the Group's financial reporting system, internal control system, risk management system and associated procedures and arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

As at the date of this Corporate Governance Report, the members of the Audit Committee, all being the Independent Non-executive Directors, are as follows:

Mr. Tong Wing Chi (*Committee Chairman*)
Dr. Jiang Gaoming
Dr. Chen Ying

CORPORATE GOVERNANCE REPORT

The external auditor was invited to attend meetings of the Audit Committee held during the year to discuss with the members of the Audit Committee on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each meeting of the Audit Committee. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2025.

The Audit Committee held four meetings in 2025 and the attendance record of individual member is set out in this Corporate Governance Report. In discharging its responsibilities, the Audit Committee has performed the following works during the year ended 31 December 2025.

- (i) reviewed the annual report of the Group for the year ended 31 December 2024 and the interim report of the Group for the six months ended 30 June 2025 as well as the reports prepared by the external auditor covering major findings in the course of its audit;
- (ii) reviewed the changes in accounting standards and their impacts on the Group's financial statements;
- (iii) reviewed the Company's relationship with the external auditor with reference to the work they performed, their fees and terms of engagement, and make recommendation to the Board on the re-appointment of the external auditor;
- (iv) reviewed the continuing connected transactions entered into by the Group;
- (v) considered the Group's internal control review findings and discussed the relevant issues including financial, operational and compliance controls and risk management functions; and
- (vi) considered the appointment of SHINEWING (HK) CPA Limited as auditor of the Company.

The Audit Committee has recommended to the Board (and the Board has agreed) that, subject to shareholders' approval at the forthcoming annual general meeting, SHINEWING (HK) CPA Limited be re-appointed as the auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF INDIVIDUAL DIRECTOR AT MEETINGS IN 2025

	Number of Attendance/Number of Possible Attendance				Annual General Meeting
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	
Executive Directors					
Mr. Guan Youping	12/12		1/1	1/1	1/1
Mr. Chen Peng	12/12		1/1	1/1	1/1
Non-executive Director					
Mr. Fong Kwok Leung, Kevin	4/11				0/1
Independent Non-executive Directors					
Mr. Tong Wing Chi	10/11	4/4	1/1	1/1	1/1
Dr. Jiang Gaoming	11/11	4/4	1/1	1/1	1/1
Dr. Chen Ying	11/11	4/4	1/1	1/1	1/1

AUDITOR'S REMUNERATION

During the year, PKF Hong Kong Limited had resigned as auditor of the Company with effect from 10 November 2025 and SHINEWING (HK) CPA Limited has been appointed as auditor of the Company on 10 November 2025 to fill up the casual vacancy. SHINEWING (HK) CPA Limited (which for the purpose includes any entity under common control, ownership or management with the auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) provided the following audit and non-audit services to the Group:

- (i) Audit services; and
- (ii) Non-audit services – agreed-upon procedures for results announcement under the requirements of the Listing Rules.

Total remuneration paid/payable for the above audit services and non-audit services was approximately HK\$2,968,000.

RESPONSIBILITIES FOR PREPARATION AND REPORTING

The consolidated financial statements of the Company for the year ended 31 December 2025 have been reviewed by the Audit Committee and audited by the external auditor, SHINEWING (HK) CPA Limited. The Directors acknowledged their responsibility for preparing the financial statements of the Group which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the external auditor about their reporting responsibilities is set out in the Independent Auditor's Report of this Annual Report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices and compliance procedures on an ongoing basis.

The risk management system comprises a well-developed organisational structure which emphasises segregation of duties that facilitates identification of risks, business development or otherwise, and their effective management. The internal control system focuses on the efficiency and effectiveness of business operations, reliability of accounting system and financial reporting, and compliance with applicable laws and regulations.

The Company has an internal audit department, which plays a major role in monitoring the corporate governance of the Group and providing objective assurance to the Board that a sound internal control system is maintained and operated by the management. The head of the internal audit department reports to the Chairman of the Board and the Audit Committee. The internal audit department will plan internal audit schedules annually in consultation with, but independent of, the management, and the audit plan is submitted to the Audit Committee for approval. The annual audit work plan covers major activities and processes of the Group's operating business. Moreover, ad hoc reviews will be performed on specific areas of concern identified by the Audit Committee and the management.

During the year of 2025, members of the internal audit department carried out an internal audit project to identify the key risk areas which covered all aspects of corporate strategies, operations and finance of the Group. The Board has reviewed the risk assessment documents and considered that the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are adequate during the year under review. The Board has also reviewed the effectiveness of the Group's internal controls and considered that key areas of the Group's system of internal controls are reasonably implemented, which provide prevention of material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

For the purpose of handling and disseminating inside information pursuant to Rules 13.09 and 13.10 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notifications to the Directors and relevant employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMPANY SECRETARY

During the year, the Company Secretary, Mr. Lee Che Keung, is a full time employee of the Group and reports to the Chairman of the Board. He is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the CG Code. The biography of Mr. Lee is set out on page 9 of this Annual Report.

According to Rule 3.29 of the Listing Rules, Mr. Lee took not less than 15 hours of relevant professional training for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's development.

The Company has set up a corporate website at <https://www.fongs.com> at which relevant information including the latest development of the Group will be announced. The website offers the latest information regarding various aspects of the Group to investors and the public. Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Units 2201 & 2203, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

Enquiries are dealt with in an informative and timely manner. The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by the shareholders.

During the year ended 31 December 2025, the Company held an annual general meeting on 23 May 2025. The Company's notice to shareholders for the annual general meeting was sent to shareholders at least 20 clear business days before such meeting. The Chairman of the Board and the external auditor had attended the annual general meeting to answer questions from the shareholders. The chairperson of the annual general meeting had explained the procedures for conducting a poll during the meeting.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules. The Chairman of the meeting will ensure that an explanation is provided regarding the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. The poll voting results will be posted on the website of the Stock Exchange at <https://www.hkexnews.hk> and that of the Company at <https://www.fongs.com> as soon as practicable after the general meeting.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Bye-laws, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the rights of voting at general meetings may request the Company to convene a special general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of Directors of the Company. Contact details are as follows:

Address: Units 2201 & 2203, Orient International Tower, 1018 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong
(For the attention of the Board of Directors)

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) at the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

DIVIDEND POLICY

According to the dividend policy adopted by the Company on 27 March 2019, provided that the Group is profitable and without affecting the normal operations of the Group, the Company intends to declare and pay dividends to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account various factors, which include, but are not limited to:

- (i) the Group's actual and expected financial performance;
- (ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (iii) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (iv) the Group's liquidity position;
- (v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (vi) any other factors that the Board deems relevant.

CONSTITUTIONAL DOCUMENTS

During the year under review, the Company did not make any changes to its Bye-Laws.

An up-to-date consolidated version of the Company's Memorandum of Association and Bye-Laws has been posted on the Company's website at <https://www.fongs.com> and the Stock Exchange's website at <https://www.hkexnews.hk>. Shareholders may refer to the Bye-laws for further details on their rights.

On behalf of the Board

Guan Youping
Chairman

Hong Kong, 17 March 2026

DIRECTORS' REPORT

The Board presents its report and the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company.

The subsidiaries of the Company are principally engaged in (i) the manufacture and sale of dyeing and finishing machines; and (ii) the manufacture and sale of stainless steel casting products and stainless steel supply chain. The activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

Further review and analysis of these business activities, including the risks and uncertainties facing the Group and likely future development in the Group's businesses, are set out in the Chairman's Statement and Management Discussion and Analysis sections on pages 3 to 4 and pages 10 to 16 of this Annual Report respectively. These review and analysis form part of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 46 to 47.

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2025. As no interim dividend was paid during the year, there will be no dividend distribution for the whole year of 2025. Details of the dividends for the year ended 31 December 2025 are set forth in Note 11 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Thursday, 28 May 2026 ("2026 AGM"), the register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the 2026 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2026.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2025 were as follows:

	HK\$'000
Contributed surplus	23,033
Retained profits	9,456
	32,489

DIRECTORS' REPORT

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay dividend, or make distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 10% of the Group's total revenue.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 16% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 5% of the total purchases.

None of the Directors, their associates, or any shareholder, which to the knowledge of the Directors owns more than 5% of the Company's share capital, has any interest in the Group's five largest suppliers or customers.

DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Guan Youping (*Chairman*)
Mr. Chen Peng (*General Manager*)

Non-executive Director:

Mr. Fong Kwok Leung, Kevin

Independent Non-executive Directors:

Mr. Tong Wing Chi
Dr. Jiang Gaoming
Dr. Chen Ying

Mr. Fong Kwok Leung, Kevin has been re-designated from an Executive Director to a Non-executive Director of the Company with effect from 1 October 2016 due to his desire to devote more time to his own family business. The Company has entered into a service contract with Mr. Fong for a term of two years commencing on 1 October 2024 and expiring on 30 September 2026. However, such service contract is determinable by either party giving to the other party at least one month's prior written notice.

DIRECTORS' REPORT

Mr. Tong Wing Chi was appointed under a contract for a term of 2 years commencing on 1 March 2024 and expiring on 28 February 2026. Upon expiry, his term of office has been extended to 29 February 2028.

Dr. Jiang Gaoming was appointed under a contract for a term of 2 years commencing on 1 March 2024 and expiring on 28 February 2026. Upon expiry, his term of office has been extended to 29 February 2028.

Dr. Chen Ying was appointed under a contract for a term of 2 years commencing on 1 March 2024 and expiring on 28 February 2026. Upon expiry, her term of office has been extended to 29 February 2028.

The Company has also entered into service contracts with each of the Executive Directors.

The Company has received the annual confirmations of independence from all Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers them to be independent.

In accordance with the Company's Bye-laws and for the sake of good corporate governance practice, Mr. Guan Youping and Mr. Chen Peng will retire from the Board by rotation at the forthcoming 2026 AGM. The retiring Directors are eligible for re-election and have agreed to offer themselves for re-election at the forthcoming 2026 AGM.

Other than as disclosed above, no Director has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

- (1) With aim of (i) promoting more frequent communication between the Executive Directors and the Independent Non-executive Directors (the "INEDs") of the Company on the affairs of the Company; (ii) ensuring adequate check and balance with the Board; and (iii) strengthening director's knowledge on the Listing Rules, director's duties and various corporate governance codes, the Board has resolved to appoint Mr. Tong Wing Chi as the Lead INED effective from 1 January 2025 and his annual remuneration has been revised from HK\$200,000 to HK\$240,000.

Save for the above, there is no other information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2025, the interests of the Directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Fong Kwok Leung, Kevin	Beneficial owner	3,100,000	0.28%
	Held by spouse	200,000	0.02%
	Beneficiary of a discretionary trust (Note)	194,904,220	17.72%
		198,204,220	18.02%

Note: Mr. Fong Kwok Leung, Kevin is a beneficiary of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 194,904,220 shares.

By virtue of the SFO, Mr. Fong Kwok Leung, Kevin is deemed to be interested in 194,904,220 shares which the discretionary trust owns.

Save as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2025.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") at the annual general meeting of the Company held on 21 May 2015 for the purpose of providing incentive to Participants (as defined in the Scheme) to contribute to the Group and enabling the Group to recruit and retain high-calibre employees and attracting human resources that are valuable to the Group. The Scheme has been valid and effective for a period of ten years commencing on the adoption date and was expired on 21 May 2025. As at 31 December 2024, the total number of shares available for issue under the Scheme was 110,021,657 which representing 10% of the total issued shares of the Company as at 31 December 2024. Up to the expiry of the Scheme, there were no outstanding options available and no further options had thereafter been granted since then.

Particulars of the Scheme and a summary of the movements of the share options granted under the Scheme during the year ended 31 December 2025 are set out in Note 35 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as disclosed in the section headed "Share Options" above, no equity-linked agreements were entered into by the Group, or existed during the year.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES

Other than the share option scheme disclosed above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

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 Annual Report, 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 31 December 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 30 April 2026.

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.

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.

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.

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. 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.

DIRECTORS' REPORT

During the year, the Company has engaged 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. The independent consultant has conducted a thorough review of the Company's existing internal control policies and procedures relating to the preparation, approval, and publication of announcements and circulars, and the Company has developed and refined 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 carry out regular reviews and assessments of these measures to ensure their continued effectiveness.

DISPOSAL OF EQUITY INTERESTS IN AN ASSOCIATE

On 31 December 2025, Fong's National Engineering (Guangdong) Co., Ltd., an indirect wholly-owned subsidiary of the Company, initiated a listing-for-sales process to propose to dispose of its 25% equity interests in Yantai Yelin Textile Technology Co. Ltd (煙臺業林紡織科技有限公司) ("Proposed Disposal") on China Beijing Equity Exchange Limited (北京產權交易所有限公司) ("CBEX"). The base price for the Proposed Disposal is RMB33,980,000 (equivalent to approximately HKD37,250,000), which is (i) required by the CBEX rules; and (ii) determined based on the original investment amount of RMB25,000,000 plus the capital cost of RMB8,980,000 with reference to the 5-year loan prime rate, the final consideration shall be subject to the bidding process. The Proposed Disposal is expected to be a potential discloseable transaction of the Company and shall be subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this report, the Proposed Disposal has not yet been materialised, no equity transaction agreement has been entered into, and no performance arrangement has been made.

CONTINUING CONNECTED TRANSACTIONS

On 9 January 2025, the Company entered into major and continuing connected transactions with a connected person in respect of the provision of financial services to the Group for a term of not more than three years from the date of approval of the transactions by the independent shareholders of the Company and ending on 31 December 2027. However, the Board has decided not to proceed with the transactions as the Company has received a written notice from a substantial shareholder that he will vote against the resolutions approving such continuing connected transactions.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2025, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards. Details of the material related party transactions are disclosed in Note 38 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Other than the continuing connected transactions as disclosed above, no other transactions, arrangements and contracts of significance in relation to which the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2025 or at any time during that year.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2025. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company and its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DISCLOSURE PURSUANT TO NOTE 2 OF RULES 3.09D OF THE LISTING RULES

On 1 March 2024, Dr. Chen Ying was appointed as an independent non-executive director of the Company. In relation to this appointment, the Company failed to comply with the disclosure requirement under Note 2 of Rule 3.09D ("this rule") of the Listing Rules, which stipulates that a listed issuer shall ensure that each of its proposed directors has obtained the legal advice referred to in this rule before his appointment becomes effective, and must disclose in the next published annual report following the directors' appointment (i) the date on which each of its proposed directors obtained the legal advice referred to in this rule and; (ii) that each proposed director has confirmed he understood his obligations as a director of a listed issuer.

The Company has remedied the above non-compliance on 20 October 2025.

DIRECTORS' REPORT

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2025, the register maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company as follows:

Long position in shares of the Company

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

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

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

Note B: Mr. Fong Sou Lam is the founder of a discretionary trust which owns the entire issued share capital of Black Jambhala Company Limited which in turn beneficially owns an aggregate of 194,904,220 shares.

By virtue of the SFO, Mr. Fong Sou Lam is deemed to be interested in 194,904,220 shares which the discretionary trust owns.

Save as disclosed above, as at 31 December 2025, the Company had not been notified of any person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$54,575.

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, is in line with the local practices where the Company and its subsidiaries operate. The emolument policy of the Group is reviewed by the Remuneration Committee of the Company regularly, making reference to legal framework, market conditions and performance of the Group and individual employee.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 2025.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2025 and as at the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares being held by the public as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 were audited by SHINEWING (HK) CPA Limited which would retire at the conclusion of the 2026 annual general meeting (the "2026 AGM") and, being eligible, offer themselves for re-appointment. An ordinary resolution will be proposed to re-appoint SHINEWING (HK) CPA Limited as the independent auditor of the Company and to authorise the Board to fix their remuneration at the 2026 AGM.

On 10 November 2025, PKF Hong Kong Limited ("PKF") has resigned as the auditor of the Company. In the resignation letter of PKF dated 10 November 2025, PKF has confirmed in writing that there are no matters in relation to its resignation that should be brought to the attention of the shareholders or creditors of the Company. The Board and the audit committee of the Company have also confirmed that there are no disagreements or unresolved matters between the Company and PKF, there are no other matters or circumstances in connection with the resignation of PKF that should be brought to the attention of the shareholders or creditors of the Company. In order to fill the casual vacancy arising from the resignation of PKF, the Company has appointed SHINEWING (HK) CPA Limited as the new auditor of the Company with effect from 10 November 2025, to hold office until the conclusion of the next annual general meeting of the Company.

DIRECTORS' REPORT

POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company had the following post balance sheet event:

On 16 March 2026, the Board proposed to initiate a listing-for-sales process at the Shenzhen United Property and Equity Exchange (深圳聯合產權交易所股份有限公司) to dispose of the entire issued share capital of PT Harvest Holdings Limited (卓豐控股有限公司) (the “Target Company”), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company. The base price for the listing-for-sales is preliminarily set at approximately RMB221.48 million (equivalent to approximately HK\$248.12 million). This potential disposal constitutes the entire issued share capital of the Target Company and the entire shareholders’ loan owed by the Target Company to Fong’s Manufacturers Company Limited, an indirect wholly-owned subsidiary of the Company. The principal asset of the Target Company is the Hong Kong property (“Hong Kong Property”), which comprises the entire office floor with a gross floor area of approximately 24,959 square feet on Level 13 of Tower B, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong, and eight car-parking spaces in the same building. As at the date of this report, the Hong Kong Property constituted the sole fixed asset of the Target Company.

As one or more of the applicable percentage ratios of the proposed transaction exceeds 75%, the proposed transaction shall constitute a very substantial disposal of the Company, therefore, is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

For details of the transaction, please refer to the announcements of the Company dated 16 March 2026.

On behalf of the Board

Chen Peng

Director

Hong Kong, 17 March 2026

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣
告士打道311號
皇室大廈安達人壽大樓17樓

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHTC FONG'S INTERNATIONAL COMPANY LIMITED (incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CHTC Fong's International Company Limited and its subsidiaries (together the "Group") set out on pages 46 to 137, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of consolidated financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2025.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill and intangible assets – manufacture and sale of dyeing and finishing machines

Refer to Notes 4, 17 and 18 to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2025, the Group had goodwill and intangible assets of approximately HK\$464,797,000 and HK\$91,912,000 respectively relating to the manufacture and sale of dyeing and finishing machines business segment.

Management performed its annual impairment review and concluded that no impairment loss of goodwill and intangible assets were recognised in current year. A significant risk of material misstatement may exist as a result of the application of management judgement and estimation in performing the impairment review, in particular, in relation to the forecasting of future cash flows, the growth rates used by management to extrapolate the cash flows after the first 5-year period and the selection of an appropriate discount rate.

How the matter was addressed in our audit

We performed the following audit procedures on the impairment assessment of goodwill and intangible assets:

- Obtained an understanding of the Group's procedures and method of valuation, including significant assumptions made and management's assessment of estimation uncertainty;
- Evaluated the competence, independence and works performed by the independent external valuer engaged by the management to assess the valuation;
- Evaluated whether the method of valuation and assumptions made are appropriate;
- Reviewed outcome of valuation made in prior period;
- Tested the data used in the valuation;
- Checked arithmetical accuracy of the calculation;
- Evaluated the recognition and measurement criteria used and disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
17 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	5	2,146,824	1,968,433
Cost of sales		(1,586,610)	(1,471,171)
Gross profit		560,214	497,262
Interest income		497	1,006
Other income	8	40,891	38,757
Other (losses) gains	8	(1,697)	10,039
Impairment loss on assets classified as held for sale	10	(10,750)	(20,692)
Selling and distribution costs		(215,972)	(239,749)
Administrative and other expenses		(327,534)	(317,940)
Finance costs	6	(49,353)	(74,392)
Share of results of an associate	20	6,379	830
Profit (loss) before tax		2,675	(104,879)
Income tax credit (expense)	7	1,410	(11,243)
Profit (loss) for the year	8	4,085	(116,122)
Other comprehensive income (expense), net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(1,647)	(19,425)
Share of translation reserve of an associate		790	(587)
		(857)	(20,012)
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement gain on defined benefit plan		258	158
Fair value loss on financial asset at fair value through other comprehensive income		(2,456)	(1,121)
		(2,198)	(963)
Other comprehensive expense for the year		(3,055)	(20,975)
Total comprehensive income (expense) for the year		1,030	(137,097)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		4,202	(118,420)
Non-controlling interests		(117)	2,298
		4,085	(116,122)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		2,921	(140,467)
Non-controlling interests		(1,891)	3,370
		1,030	(137,097)
Earnings (loss) per share			
Basic	12	0.38 HK cents	(10.76) HK cents
Diluted	12	0.38 HK cents	(10.76) HK cents

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	13	1,394,222	1,298,252
Investment properties	14	236,500	–
Right-of-use assets	15	10,137	18,189
Prepaid lease payments	16	167,390	168,849
Goodwill	17	464,797	464,797
Intangible assets	18	91,912	92,185
Financial asset at fair value through other comprehensive income	19	19,371	21,289
Investment in an associate	20	34,840	27,671
Deposits for acquisition of property, plant and equipment		24,094	20,387
Other assets	21	40,894	39,888
Deferred tax assets	22	11,546	9,976
		2,495,703	2,161,483
Current assets			
Inventories	23	423,349	365,994
Trade and other receivables	24	361,586	303,154
Cash and bank balances	25	199,249	250,501
		984,184	919,649
Assets classified as held for sale	10	–	251,749
		984,184	1,171,398
Current liabilities			
Trade and other payables	26	1,083,806	847,653
Contract liabilities	27	216,898	202,149
Warranty provision	28	10,359	7,690
Lease liabilities	29	8,674	8,557
Tax liabilities		10,522	10,826
Bank and other borrowings	30	1,004,517	891,897
		2,334,776	1,968,772
Liabilities classified as held for sale	10	–	2,141
		2,334,776	1,970,913
Net current liabilities		(1,350,592)	(799,515)
Total assets less current liabilities		1,145,111	1,361,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Bank and other borrowings	30	96,765	293,376
Deferred revenue	31	44,976	47,943
Deferred tax liabilities	22	26,925	37,026
Lease liabilities	29	1,940	10,148
		170,606	388,493
Net assets			
		974,505	973,475
Capital and reserves			
Total equity attributable to owners of the Company			
Share capital	32(b)	55,011	55,011
Share premium and reserves		991,616	988,695
		1,046,627	1,043,706
Non-controlling interests		(72,122)	(70,231)
Total equity		974,505	973,475

The consolidated financial statements on pages 46 to 137 were approved and authorised for issue by the Board of Directors on 17 March 2026 and are signed on its behalf by:

Guan Youping
Executive Director

Chen Peng
Executive Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Contributed surplus HK\$'000 (Note)	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2024	55,011	152,122	2,504	(158,371)	(12,989)	1,120,314	25,582	1,184,173	(73,601)	1,110,572
(Loss) profit for the year	-	-	-	-	-	(118,420)	-	(118,420)	2,298	(116,122)
Exchange difference arising on translation of foreign operation	-	-	-	-	(20,497)	-	-	(20,497)	1,072	(19,425)
Share of translation reserve of an associate	-	-	-	-	(587)	-	-	(587)	-	(587)
Re-measurement gain on defined benefit plan	-	-	-	-	-	158	-	158	-	158
Fair value loss on financial asset at fair value through other comprehensive income	-	-	-	(1,121)	-	-	-	(1,121)	-	(1,121)
Other comprehensive (expense) income for the year, net of tax	-	-	-	(1,121)	(21,084)	158	-	(22,047)	1,072	(20,975)
Total comprehensive (expense) income for the year	-	-	-	(1,121)	(21,084)	(118,262)	-	(140,467)	3,370	(137,097)
At 31 December 2024	55,011	152,122	2,504	(159,492)	(34,073)	1,002,052	25,582	1,043,706	(70,231)	973,475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Contributed surplus HK\$'000 (Note)	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2025	55,011	152,122	2,504	(159,492)	(34,073)	1,002,052	25,582	1,043,706	(70,231)	973,475
Profit (loss) for the year	-	-	-	-	-	4,202	-	4,202	(117)	4,085
Exchange difference arising on translation of foreign operation	-	-	-	-	127	-	-	127	(1,774)	(1,647)
Share of translation reserve of an associate	-	-	-	-	790	-	-	790	-	790
Re-measurement gain on defined benefit plan	-	-	-	-	-	258	-	258	-	258
Fair value loss on financial asset at fair value through other comprehensive income	-	-	-	(2,456)	-	-	-	(2,456)	-	(2,456)
Other comprehensive (expense) income for the year	-	-	-	(2,456)	917	258	-	(1,281)	(1,774)	(3,055)
Total comprehensive (expense) income for the year	-	-	-	(2,456)	917	4,460	-	2,921	(1,891)	1,030
At 31 December 2025	55,011	152,122	2,504	(161,948)	(33,156)	1,006,512	25,582	1,046,627	(72,122)	974,505

Note: The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the entire issued share capital of Fong's Manufacturers Company Limited, the then holding company, acquired pursuant to a corporate reorganisation on 13 September 1990.

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	2,675	(104,879)
Adjustments for:		
Interest expense on borrowings	45,642	69,384
Interest expense on lease liabilities	655	638
Interest income	(497)	(1,006)
Depreciation and amortisation	81,010	79,670
Allowance (reversal of allowance) for doubtful debts, net	613	(21)
Reversal of allowance for inventories, net	(8,793)	(4,023)
Share of results of an associate	(6,379)	(830)
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(1,321)	2,954
Recognition of government grants	(4,118)	(4,350)
Provision for warranty expense	2,764	920
Written off of other payables	(1,396)	(424)
Impairment loss on assets classified as held for sale	10,750	20,692
Exchange differences	(5,396)	49,012
Operating cash flows before movements in working capital	116,209	107,737
(Increase) decrease in inventories	(35,679)	41,121
(Increase) decrease in trade and other receivables	(48,946)	14,440
Increase in trade and other payables	48,631	48,166
Increase in contract liabilities	10,876	42,524
Utilisation of warranty provision	(1,032)	(2,124)
Cash generated from operations	90,059	251,864
Hong Kong Profits Tax paid	(1,957)	(1,195)
Hong Kong Profits Tax refunded	-	3,874
Overseas income tax and the PRC Corporate Income Tax paid	(8,682)	(90,211)
Overseas income tax and the PRC Corporate Income Tax refunded	-	171
NET CASH GENERATED FROM OPERATING ACTIVITIES	79,420	164,503
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment and prepaid lease payments	3,835	9,556
Interest received	497	1,006
Purchases of property, plant and equipment	(151,546)	(58,080)
NET CASH USED IN INVESTING ACTIVITIES	(147,214)	(47,518)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(2,257,781)	(958,714)
Interest paid	(43,217)	(69,483)
Loan repayment to intermediate holding company	(8,000)	–
Loan received from fellow subsidiary	166,056	–
New bank and other borrowings raised	2,155,738	969,836
Capital element of lease rentals paid	(8,886)	(7,486)
Interest element of lease rentals paid	(655)	(638)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,255	(66,485)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(64,539)	50,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	254,266	207,303
Exchange gain (loss) on cash and cash equivalents	9,522	(3,537)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	199,249	254,266
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	199,249	250,501
ASSETS CLASSIFIED AS HELD FOR SALE		
Cash and bank balances	–	3,765
	199,249	254,266

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The directors of the Company (the “Directors”) consider that the Company’s parent company is China Hi-Tech Holding Company Limited, a company incorporated in Hong Kong and its ultimate holding company is China National Machinery Industry Corporation (中國機械工業集團有限公司) (“SINOMACH”), 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 address of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” in this Annual Report.

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

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

2. BASIS OF PREPARATION

(a) Compliance with HKFRS Accounting Standards and other disclosure requirements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards 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 HKFRS Accounting Standards that are mandatory effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standards 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Possible impact of new and amendments to HKFRS Accounting Standards issued but not yet effective for the year ended 31 December 2025

The following HKFRS Accounting Standards in issue at 31 December 2025 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 2025:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability Disclosure ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 21	Translation to Hyperinflationary Presentation Currency ²

¹ Effective for annual periods beginning on or after 1 January 2026.

² Effective for annual periods beginning on or after 1 January 2027.

³ Effective for annual periods beginning on or after a date to be determined.

The Directors are in the process of making an assessment of what the impact of these new and amendments to HKFRS Accounting Standards 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.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 Presentation of Financial Statements. HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the HKFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of HKFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(c) Possible impact of new and amendments to HKFRS Accounting Standards issued but not yet effective for the year ended 31 December 2025 *(Continued)*

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(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 at 31 December 2025, the Group had net current liabilities of approximately HK\$1,350,592,000. 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 2025, the Group had unutilised banking facilities of approximately HK\$1,005,347,000;
- (ii) At 31 December 2025, the Group had unutilised credit facilities of approximately HK\$732,839,000 under the financial services framework agreement. 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; and
- (iii) For the other bank and other borrowings which will be maturing before 31 December 2026, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(d) Adoption of the going concern basis *(Continued)*

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. MATERIAL ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together the “Group”) and the Group’s investment in an associate.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- | | | |
|---------|---|---|
| Level 1 | — | Fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities. |
| Level 2 | — | Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3 | — | Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). |

The material accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress and freehold land as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction and freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Investment properties

Investment properties are stated at cost less aggregate depreciation and impairment losses. Rental income from investment properties is accounted for as described in Note 3(n). Depreciation is calculated to write off the cost of items of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of investment properties are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

The investment properties are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid operating lease payments and are charged to profit or loss over the lease terms.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Intangible assets

Intellectual property rights

Intellectual property rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intellectual property rights with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have an indefinite useful life and is thus not subject to amortisation.

Trademarks and licenses are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of internally-generated intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of intangible assets are measured at the difference between net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

(h) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and investment properties classified as held for sale are not depreciated or amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) **Non-current assets held for sale** *(Continued)*

The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of:

- (a) its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
- (b) its recoverable amount at the date of the subsequent decision not to sell or distribute.

(i) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(j) **Other investments in equity securities**

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss.

For an explanation of how the Group determines fair value of financial instruments, see Note 34(c). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 3(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 3(l)(i)).

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including trade and other receivables and cash and bank balances).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments properties
- right-of-use assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill that is not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 3(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3(n)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 3(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(n)).

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable, and represents amounts receivable for goods supplied or service performed, stated net of discounts and sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Manufacture and sale of dyeing and finishing machines

Revenue from the sale of products directly to the customers is recognised at a point in time when control of the inventory has been passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Advance payment from customers before revenue recognition is recognised as contract liabilities in the consolidated statement of financial position (Note 27).

The Group's obligation to repair or replace faulty products under the standard warranty terms, which cannot be purchased separately and serve as an assurance that the products sold comply with agreed-upon specifications at the time of sale, is recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition *(Continued)*

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

Revenue from the sale of products directly to the customers is recognised at a point in time when control of the inventory has been passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Rental income

Rental income under operating leases is recognised in profit or loss in equal instalments over the period covered by lease term.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount less loss allowance) of the asset (see Note 3(l)(i)).

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

(o) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(o) Leases *(Continued)*

The Group as lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (Note 3(l) (ii)). Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(p) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

As explained in Note 31, certain government grants obtained are treated as deferred revenue in the consolidated statement of financial position and credited to profit or loss in accordance with conditions set by the government body.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Retirement benefits costs

Payments to defined contribution retirement benefits plans including, state-managed retirement benefit schemes and the Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefits plans, retirement benefit costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to profit or loss so as to spread the regular cost over the service lives of employees.

The asset or liability recognised on the consolidated statement of financial position is the present value of the cost of providing these benefits (the defined benefit obligation) less the fair value of the plan assets at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. The plan assets are valued on a bid price basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions on obligation are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. Any difference between the implicit and actual return on plan assets are charged as remeasurements to other comprehensive income.

For defined contribution schemes, the Group's contributions are charged to profit or loss in the period to which the contributions relate.

(t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) **Taxation** *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, for provisions for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred, the Group applies HKAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

(u) **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in Note 3(v)(a);
 - (vii) A person identified in Note 3(v)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Income taxes

As at 31 December 2025, a deferred tax asset of approximately HK\$9,372,000 (2024: HK\$8,559,000) in relation to unused tax losses of approximately HK\$56,797,000 (2024: HK\$51,874,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of the tax losses of approximately HK\$1,217,058,000 (2024: HK\$1,043,720,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material recognition or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes places. More details are given in Note 22.

Useful lives and impairment of property, plant and equipment and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties based on the historical experience of the actual useful lives of property, plant and equipment and investment properties of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. The impairment loss for property, plant and equipment and investment properties are recognised for the amount by which the carrying amount exceeds its recoverable amount. The carrying amount of property, plant and equipment and investment properties at 31 December 2025 is approximately HK\$1,394,222,000 (2024: HK\$1,298,252,000) and HK\$236,500,000 (2024: nil) respectively. More details are given in Note 13 and Note 14.

Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of future cash flows expected to arise from the products developed and services provided and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of goodwill and other intangible assets at 31 December 2025 are approximately HK\$464,797,000 (2024: HK\$464,797,000) and approximately HK\$91,912,000 (2024: HK\$92,185,000) respectively. During the year ended 31 December 2025, no impairment has been recognised for goodwill and other intangible assets (2024: no impairment has been recognised for goodwill and other intangible assets). More details are given in Notes 17 and 18 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowances for inventories

The management reviews the condition of the inventories of the Group and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale and use in production. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period as well as ageing analysis of the inventory and makes allowance for obsolete items. If the market conditions were deteriorating and more obsolete and slow-moving inventory items are being identified, additional allowances may be required. As at 31 December 2025, the carrying amount of inventories is approximately HK\$423,349,000 (2024: HK\$365,994,000). More details are given in Note 23.

Impairment of trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECLs of trade receivables during their expected lives. As at 31 December 2025, the carrying amount of trade receivables is approximately HK\$191,194,000 (2024: HK\$200,129,000), net of allowance of HK\$1,159,000 (2024: HK\$633,000). More details are given in Note 24.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where observable market data are not available, the Group engages independent qualified valuers to perform the valuation and works closely with independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The use of valuation models and assumptions in valuing these financial instruments is subjective and requires varying degrees of judgement.

Compensation related to urban renewal project

As disclosed in Note 21, the Group has completed the relocation and FNES's operation license, official seal and land use certificate are held in custody by the Notary Office. Since the transaction was completed, the Group recognised the cash consideration received as income and the properties to be received as other assets. Since the Group is unable to measure reliably the fair value of either the properties to be received or the properties given up, the properties to be received are measured at the carrying amount of the properties given up and recognised as other assets of approximately HK\$40,894,000 (2024: HK\$39,888,000) at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision for warranties

The policy for provision of warranties of the Group is based on the management's best estimate of the Group's liabilities under a 12-month warranty period granted on the sale of dyeing and finishing machines based on past experience. The actual settlement may differ from the estimation made by the management. If the amounts are settled for an amount greater than management's estimation, a future charge to profit or loss will result. Likewise, if the amounts are settled for an amount that is less than estimation, a future credit to profit or loss will result. As at 31 December 2025, the carrying amount of warranty provision is approximately HK\$10,359,000 (2024: HK\$7,690,000). The movement of the warranty provision for the year is set out in Note 28.

Going concern

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. As disclosed in Note 2(d), the validity of the going concern assumptions depends upon a series of assumptions. In the preparation of the cash flow forecast of the Company, the Directors have taken into account the series of assumptions.

5. 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 stainless steel supply chain.

Disaggregation of revenue

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

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of dyeing and finishing machines	1,682,308	1,527,047
Sale of stainless steel casting products and stainless steel supply chain	464,516	441,386
	2,146,824	1,968,433

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical markets is disclosed in Notes 5(b)(i) and 5(b)(iv) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(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.

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 stain less steel supply chain, which is by aggregating 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.

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 and stainless steel supply chain

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(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 2025

	Manufacture and sale of dyeing and finishing machines HK\$'000	Manufacture and sale of stainless steel casting products and stainless steel supply chain HK\$'000	Total HK\$'000
REVENUE			
Point in time	1,682,308	464,516	2,146,824
External sales	1,682,308	464,516	2,146,824
Inter-segment sales	1,491	62,678	64,169
Segment revenue	1,683,799	527,194	2,210,993
Elimination			(64,169)
Group revenue			2,146,824
Segment profit	12,212	43,690	55,902
Interest income			497
Impairment loss on assets classified as held for sale			(10,750)
Finance costs			(49,353)
Share of results of an associate			6,379
Profit before tax			2,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment revenues and results *(Continued)*

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 and stainless steel supply chain HK\$'000	Total HK\$'000
REVENUE			
Point in time	1,527,047	441,386	1,968,433
External sales	1,527,047	441,386	1,968,433
Inter-segment sales	2,430	76,490	78,920
Segment revenue	1,529,477	517,876	2,047,353
Elimination			(78,920)
Group revenue			1,968,433
Segment (loss) profit	(34,371)	22,740	(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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

For the year ended 31 December 2025

	Manufacture and sale of dyeing and finishing machines HK\$'000	Manufacture and sale of stainless steel casting products and stainless steel supply chain HK\$'000	Total HK\$'000
ASSETS			
Segment assets	2,284,595	693,786	2,978,381
Unallocated corporate assets			501,506
Consolidated total assets			3,479,887
LIABILITIES			
Segment liabilities	1,192,882	173,771	1,366,653
Unallocated corporate liabilities			1,138,729
Consolidated total liabilities			2,505,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Segment assets and liabilities *(Continued)*

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 and stainless steel supply chain HK\$'000	Total HK\$'000
ASSETS			
Segment assets	2,130,439	641,256	2,771,695
Unallocated corporate assets			561,186
Consolidated total assets			3,332,881
LIABILITIES			
Segment liabilities	1,004,666	119,474	1,124,140
Unallocated corporate liabilities			1,235,266
Consolidated total liabilities			2,359,406

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVOCI, investment in an associate, investment properties and deferred tax assets, tax recoverable, cash and bank balances and assets classified as held for sale; and
- all liabilities are allocated to operating segments other than tax liabilities, deferred tax liabilities, bank and other borrowings and liabilities classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Other segment information

Amounts included in the measure of segment results or segment assets:

For the year ended 31 December 2025

	Manufacture and sale of dyeing and finishing machines HK\$'000	Manufacture and sale of stainless steel casting products and stainless steel supply chain HK\$'000	Total HK\$'000
Additions to non-current assets excluded investment in associate, deferred tax assets and financial assets at FVOCI	96,082	51,757	147,839
Depreciation and amortisation	47,955	33,055	81,010
Gain on disposal of property, plant and equipment and prepaid lease payments (Reversal of allowance)	(1,214)	(107)	(1,321)
allowance for inventories, net	(8,867)	74	(8,793)
Allowance for doubtful debts, net	613	–	613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Other segment information *(Continued)*

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 and stainless steel supply chain HK\$'000	Total HK\$'000
Additions to non-current assets excluded investment in associate, deferred tax assets and financial assets at FVOCI	28,291	23,746	52,037
Depreciation and amortisation	48,357	31,313	79,670
Loss on disposal of property, plant and equipment and prepaid lease payments	1,831	1,123	2,954
Reversal of allowance for inventories, net	(3,818)	(205)	(4,023)
Reversal of allowance for doubtful debts, net	(21)	–	(21)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

(iv) Geographical information

The Group's operations are located mainly in Hong Kong, Chinese Mainland 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	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Chinese Mainland	943,085	844,543	2,103,498	2,006,156
Hong Kong	65,353	53,986	242,738	11,227
Asia Pacific (other than Chinese Mainland and Hong Kong)	593,461	469,208	–	4
Europe	383,234	399,272	83,710	85,160
North and South America	143,282	171,880	–	–
Others	18,409	29,544	–	–
	2,146,824	1,968,433	2,429,946	2,102,547

Non-current assets excluded investment in an associate, deferred tax assets and financial asset at FVOCI. The Directors considered that the cost to develop the revenue by individual countries for “Asia Pacific”, “Europe”, “North and South America” and “Others” are excessive and revenue included in these areas attributed to each individual country is not material.

No revenue generated from any single customer amounted to 10% or more of the Group's revenue for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on bank and other borrowings	45,642	69,384
Interest on lease liabilities	655	638
Bank charges	3,056	4,370
	49,353	74,392

7. INCOME TAX (CREDIT) EXPENSES

	2025 HK\$'000	2024 HK\$'000
Hong Kong Profit Tax:		
Current year	3,332	2,086
Under-provision in prior years	-	288
PRC Corporate Income tax:		
Current year	7,447	8,153
Under-provision in prior years	-	72
Overseas Income Tax:		
Current year	118	32
Under-provision in prior years	-	874
	10,897	11,505
Deferred tax (Note 22)		
Current year	(12,307)	(262)
	(1,410)	11,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX (CREDIT) EXPENSES *(Continued)*

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%.

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

The income tax (credit) expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 HK\$'000	2024 HK\$'000
Profit (loss) before tax	2,675	(104,879)
Tax at the Hong Kong Profits Tax rate of 16.5%	442	(17,305)
Tax effect of:		
– expenses that are not deductible for tax purpose	2,908	24,458
– income that are not taxable for tax purpose	(304)	(16)
– tax losses not recognised	25,892	11,334
– different tax rates of subsidiaries operating in other jurisdictions	(8,669)	1,436
– withholding tax on undistributed profit	(13,038)	314
– utilisation of tax losses previously not recognised	(9,098)	(10,263)
Under-provision in prior year, net	–	1,234
Others	457	51
Income tax (credit) expenses for the year	(1,410)	11,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. PROFIT (LOSS) FOR THE YEAR

	2025 HK\$'000	2024 HK\$'000
Profit (loss) for the year has been arrived at after (crediting) charging:		
Other income:		
Technical service	–	(1,745)
Income from scraps sale	(16,608)	(16,038)
Government grants (Note)	(8,892)	(10,062)
Rental income	(6,892)	(5,226)
Written off of other payables	(1,396)	(424)
Others	(7,103)	(5,262)
Total other income	(40,891)	(38,757)
Other losses (gains):		
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(1,321)	2,954
Foreign exchange loss (gain), net	3,018	(12,835)
Others	–	(158)
Total other losses (gains)	1,697	(10,039)
Amortisation of intangible asset	273	273
Depreciation		
– owned assets	67,276	67,250
– right-of-use assets and prepaid lease payments	13,461	12,147
Total depreciation and amortisation	81,010	79,670
Net impairment losses on assets classified as held for sale	10,750	20,692
Reversal of allowance for inventories, net (included in cost of sales)	(8,793)	(4,023)
Allowance (reversal of allowance) for doubtful debts, net	613	(21)
Auditor's remuneration	2,641	3,078
Cost of inventories recognised as an expense	1,595,403	1,475,194
Research and development costs	91,158	85,366
Lease payments not included in lease liabilities	442	445
Rental income less direct outgoings	(6,880)	(5,215)
Staff costs, including directors' emoluments		
Salaries, wages and other benefits	476,453	472,276
Retirement benefits scheme contributions	48,385	48,711
Total staff costs	524,838	520,987

Note: Government grants included a total amount of HK\$4,774,000 (2024: HK\$5,712,000) received from several local government authorities in the PRC for the Group's contribution to local economies, of which the entitlements were under the discretion of the relevant authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
2025				
Executive Directors				
Guan Youping	-	-	-	-
Chen Peng	-	1,001	182	1,183
Non-executive Director				
Fong Kwok Leung, Kevin	180	-	-	180
Independent Non-executive Directors				
Tong Wing Chi	240	-	-	240
Jiang Gaoming	180	-	-	180
Chen Ying	200	-	-	200
Total	800	1,001	182	1,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
2024				
Executive Directors				
Guan Youping	–	–	–	–
Chen Peng	–	921	178	1,099
Non-executive Director				
Fong Kwok Leung, Kevin	180	–	–	180
Independent Non-executive Directors				
Li Jianxin	33	–	–	33
Tong Wing Chi	200	–	–	200
Jiang Gaoming	180	–	–	180
Chen Ying	167	–	–	167
Total	760	921	178	1,859

There were no arrangement under which a Director of the Company waived or agreed to waive any emolument during the year ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one (2024: one) Director whose emolument is reflected in the analysis presented above. The emoluments payable to the four (2024: four) individuals during the year are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	5,668	5,539
Retirement benefits scheme contribution	530	376
	6,198	5,915

The emoluments of the highest paid individual fell within the following bands:

Emolument bands	Number of individual	
	2025	2024
HK\$		
1,000,001–1,500,000	4	4
1,500,001–2,000,000	1	1

During the years ended 31 December 2025 and 2024, no remuneration was paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management's emoluments

The emoluments paid or payable to the senior management fell within the following bands:

Emolument bands	Number of individual	
	2025	2024
HK\$		
Below 1,000,000	1	3
1,000,001–1,500,000	3	1
1,500,001–2,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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, Kwai Chung, 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. As at 31 December 2024, the Directors confirmed that both PT Harvest and KCC Premises are available for immediate sale in its current conditions. Accordingly, PT Harvest has been classified as held for sale as at 31 December 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.

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

	2024 HK\$'000
Assets classified as held for sale	
Properties	247,250
Other receivables	734
Cash and bank balances	3,765
Total assets classified as held for sale	251,749
Liabilities classified as held for sale	
Other payables	(1,247)
Deferred tax liabilities	(894)
Total liabilities classified as held for sale	(2,141)

During the year ended 31 December 2025, the Directors revisited the progress of the disposal of PT Harvest and KCC Premises and considered that the completion of the sales in the next 12 months from the end of the reporting period is subject to uncertainty based on the current market environment. As such, PT Harvest ceased to be classified as held for sale as at 31 December 2025. KCC Premises was reclassified to investment properties accordingly.

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 disposal of the properties of HK\$236,500,000 (2024: HK\$247,250,000) 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 (2024: lower) than the carrying amount, an impairment loss of approximately HK\$10,750,000 (2024: HK\$20,692,000) is recognised for the year.

At 31 December 2024, KCC Premises was pledged to secure banking facilities granted to the Group (Note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2025. As no interim dividend was paid during the year, there was no dividend distribution for the whole year of 2025.

12. EARNINGS (LOSS) PER SHARE

Basic 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:

	2025 HK\$'000	2024 HK\$'000
Profit (loss) for the year attributable to owners of the Company for the purpose of calculation of basic earnings (loss) per share	4,202	(118,420)
	'000	'000
Number of ordinary shares for the purpose of basic earnings (loss) per share	1,100,217	1,100,217

Diluted earnings (loss) per share for the years ended 31 December 2025 and 2024 are same as the basic earnings (loss) per share as the Group has no potential ordinary shares in issue during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Moulds and tools HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST									
At 1 January 2024	8,039	1,334,253	1,016	510,730	193,524	15,908	88,722	9,456	2,161,648
Currency realignment	(172)	(34,601)	-	(10,005)	(18,326)	(185)	(1,129)	(175)	(64,593)
Reclassification	-	-	-	679	-	-	-	(679)	-
Additions	-	8,990	-	22,060	8,426	8	439	2,858	42,781
Disposals/write off	-	(5,791)	(953)	(30,606)	(29,819)	(2,996)	(124)	-	(70,289)
At 31 December 2024 and 1 January 2025	7,867	1,302,851	63	492,858	153,805	12,735	87,908	11,460	2,069,547
Currency realignment	199	13,636	-	13,310	8,505	208	893	(693)	36,058
Reclassification	-	-	-	7,248	-	-	-	(7,248)	-
Additions	-	902	-	128,094	15,145	9	663	3,026	147,839
Disposals/write off	-	(390)	-	(11,233)	(4,615)	(2,368)	(3)	-	(18,609)
At 31 December 2025	8,066	1,316,999	63	630,277	172,840	10,584	89,461	6,545	2,234,835
ACCUMULATED DEPRECIATION									
1 January 2024	-	229,689	516	313,366	159,019	13,986	77,538	-	794,114
Currency realignment	-	(10,588)	-	(3,450)	(12,769)	(144)	(1,051)	-	(28,002)
Provided for the year	-	26,318	21	31,292	7,800	1,033	786	-	67,250
Eliminated on disposals/write off	-	(3,068)	(515)	(25,692)	(29,685)	(2,995)	(112)	-	(62,067)
At 31 December 2024 and 1 January 2025	-	242,351	22	315,516	124,365	11,880	77,161	-	771,295
Currency realignment	-	3,710	-	6,360	7,601	185	856	-	18,712
Provided for the year	-	27,967	21	32,473	6,000	470	345	-	67,276
Eliminated on disposals/write off	-	(390)	-	(9,563)	(4,431)	(2,283)	(3)	-	(16,670)
At 31 December 2025	-	273,638	43	344,786	133,535	10,252	78,359	-	840,613
CARRYING VALUE									
At 31 December 2025	8,066	1,043,361	20	285,491	39,305	332	11,102	6,545	1,394,222
At 31 December 2024	7,867	1,060,500	41	177,342	29,440	855	10,747	11,460	1,298,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than the freehold land and construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the terms of the leases or 2.5%, whichever is shorter
Leasehold improvements	10%
Plant and machinery	10%–20%
Furniture and equipment	20%–33%
Motor vehicles	20%–25%
Moulds and tools	20%

At 31 December 2025, the Group's property, plant and equipment of approximately HK\$1,044,227,000 (2024: HK\$329,153,000) was pledged to secure banking facilities granted to the Group (Note 30).

14. INVESTMENT PROPERTIES

	2025 HK\$'000
COST	
At beginning of the year	–
Reclassification (Note 10)	325,636
At end of the year	325,636
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At beginning of the year	–
Reclassification (Note 10)	89,136
At end of the year	89,136
CARRYING VALUE	
At end of the year	236,500

The investment properties are depreciated on a straight-line basis over the terms of leases.

The fair value of the Group's investment properties as at 31 December 2025 was HK\$236,500,000. The fair value has been arrived at based on a valuation carried out by Roma Appraisals Limited, independent valuer not connected with the Group. The valuation was determined by reference to recent market price, for similar properties in the similar locations and condition. Details of the valuation techniques and assumptions are disclosed below.

The fair value was grouped as Level 3 of fair value hierarchy while the measurement contains significant unobservable input, which used adjusted market ratio ranged from -8.3% to 17.9% as at 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. RIGHT-OF-USE ASSETS

	2025 HK\$'000	2024 HK\$'000
Leasehold properties	10,137	18,189
	2025 HK\$'000	2024 HK\$'000
At beginning of the year	18,189	17,613
Currency realignment	758	(561)
Addition	–	9,256
Early termination	–	(666)
Depreciation	(8,810)	(7,453)
At end of the year	10,137	18,189

The Group has entered into lease agreements to obtain the right to use properties as its office premises, factories, godowns and residential units for its employees and as a result incurred lease liabilities (Note 29). The leases typically run for an initial period of 2 to 10 years. Lease terms are negotiated on an individual/group basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

In addition to the above, the Group has right-of-use assets related to properties interests of which the Group is the registered owner. They are included in “assets classified as held for sale”, “property, plant and equipment”, “investment properties” and “prepaid lease payments”. Details of which are set out in Notes 10, 13, 14 and 16 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PREPAID LEASE PAYMENTS

	2025 HK\$'000	2024 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold in the PRC:		
Medium-term leases	167,390	168,849

Movement in prepaid lease payments:

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	168,849	181,294
Currency realignment	3,767	(3,463)
Disposal	(575)	(4,288)
Amortisation of prepaid lease payments	(4,651)	(4,694)
At end of the year	167,390	168,849

At 31 December 2025, the Group's prepaid lease payments of approximately HK\$166,223,000 (2024: HK\$70,489,000) was pledged to secure banking facilities granted to the Group (Note 30).

17. GOODWILL

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	464,797	464,797
Impairment loss recognised	-	-
At end of the year	464,797	464,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. GOODWILL (Continued)

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:

	2025 HK\$'000	2024 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 12.92% (2024: 13.41%). The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 3% (2024: 3%).

Assumptions were used in the value-in-use calculation of the cash-generating unit ("CGU") at 31 December 2025 and 31 December 2024. 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 4%–5% (2024: 3%) is based on the historical sales data and market outlook perceived by management.

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

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

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

No impairment loss be recognised during the year ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS

	Intellectual property rights HK\$'000	Trademarks and licenses HK\$'000	Total HK\$'000
COST			
At 1 January 2024	45,301	90,727	136,028
Currency realignment	(558)	–	(558)
At 31 December 2024 and 1 January 2025	44,743	90,727	135,470
Currency realignment	1,013	–	1,013
At 31 December 2025	45,756	90,727	136,483
ACCUMULATED AMORTISATION			
At 1 January 2024	43,569	–	43,569
Currency realignment	(557)	–	(557)
Provided for the year	273	–	273
At 31 December 2024 and 1 January 2025	43,285	–	43,285
Currency realignment	1,013	–	1,013
Provided for the year	273	–	273
At 31 December 2025	44,571	–	44,571
CARRYING VALUE			
At 31 December 2025	1,185	90,727	91,912
At 31 December 2024	1,458	90,727	92,185

Amortisation of approximately HK\$273,000 (2024: HK\$273,000) is included in “administrative and other expenses” in profit or loss.

Intellectual property rights

Intellectual property rights above have finite useful lives, over which the assets are amortised. The amortisation rates of intellectual property rights range from 6% to 20% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS *(Continued)*

Trademarks and licenses

The useful lives of the trademarks and licenses are assessed to be indefinite. The factors considered in the assessment of the useful lives of the trademarks and licenses include analysis of the market and competitive trends, product life cycles and management's long-term strategic development. Overall, these factors provided evidence that the trademarks and licenses are expected to generate long-term net cash inflows to the Group indefinitely.

Impairment test for trademarks and licenses with indefinite useful lives

For the purposes of impairment testing, the carrying amount of goodwill and the intangible assets with indefinite useful lives is allocated to the cash-generating unit, i.e., dyeing and finishing machines. The key assumptions used in the impairment test of the intangible assets with indefinite useful lives are given in Note 17.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 HK\$'000	2024 HK\$'000
Financial assets at fair value through other comprehensive income		
Unlisted equity securities	19,371	21,289

The Group designated its investment at FVOCI (non-recycling) as the investments is held for strategic purposes. No dividend was received on this investment during the year (2024: Nil).

20. INVESTMENT IN AN ASSOCIATE

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	27,671	27,428
Share of post-acquisition profit and other comprehensive income	7,169	243
At end of the year	34,840	27,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENT IN AN ASSOCIATE *(Continued)*

Particulars of the Group's associate at the end of the reporting period are as follows:

Name of Company	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by a subsidiary	
Yantai Yelin Textile Technology Co., Ltd. 煙臺業林紡織科技有限公司 ("Yantai Yelin")	Incorporation	The PRC	25% (2024: 25%)	25% (2024: 25%)	Printing, dyeing and finishing of high-end fabrics business

The Group's associate is accounted for using the equity method in these consolidated financial statements.

The summarised financial information in respect of the associate, Yantai Yelin, is set out below:

	2025 HK\$'000	2024 HK\$'000
Gross amounts of the associate		
Current assets	448,694	240,355
Non-current assets	209,364	218,384
Current liabilities	(507,667)	(337,082)
Non-current liabilities	(11,031)	(10,972)
Total equity	139,360	110,685

	2025 HK\$'000	2024 HK\$'000
Revenue	1,236,789	755,988
Profit for the year	25,516	3,319
Reconciled to the Group's interest in the associate:		
Gross amounts of net assets of the associate	139,360	110,685
Group's effective interest	25%	25%
Group's share of net assets of the associate	34,840	27,671
Carrying amount of the Group's interest in the associate	34,840	27,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. OTHER ASSETS

On 28 March 2014, 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, 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 m²) with facilities to be constructed on the redeveloped Land with a total gross floor area of approximately 30,000 m² (and, in addition, at least 100 car-parks) (the "New Property").

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

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

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

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

- (a) the Project Company shall pay to FNES a rental compensation, which will be calculated on the basis of the market rent of comparable properties in the area; or
- (b) FNES shall be entitled to accept at its option from the Project Company another property of the same value as the New Property instead.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. OTHER ASSETS *(Continued)*

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

The Group received the final instalment payment in 2021 and the aggregate sum of RMB1 billion has been received 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 m² and at least 100 car-parks in exchange of the properties given up by the Group.

Based on the Director's assessment, there is no impairment over other assets as at 31 December 2025 (2024: nil).

22. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	11,546	9,976
Deferred tax liabilities	(26,925)	(37,026)
	(15,379)	(27,050)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Distributable profit of PRC subsidiaries HK\$'000	Defined benefit obligation HK\$'000	Total HK\$'000
At 1 January 2024	15,996	(157)	(7,427)	20,747	(2,212)	26,947
Currency realignment	-	4	-	-	140	144
(Credit) charge to profit or loss (Note 7)	(31)	(266)	-	314	52	69
Credit to other comprehensive income	-	-	-	-	(110)	(110)
At 31 December 2024 and 1 January 2025	15,965	(419)	(7,427)	21,061	(2,130)	27,050
Currency realignment	-	(8)	-	-	(134)	(142)
Charge (credit) to profit or loss (Note 7)	100	173	-	(13,038)	458	(12,307)
Credit to other comprehensive income	-	-	-	-	(116)	(116)
Re-classified from held for sale	2,839	-	(1,945)	-	-	894
At 31 December 2025	18,904	(254)	(9,372)	8,023	(1,922)	15,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group had unused tax losses of approximately HK\$1,273,855,000 (2024: HK\$1,095,594,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$56,797,000 (2024: HK\$51,874,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$1,217,058,000 (2024: HK\$1,043,720,000) due to the unpredictability of future profit streams.

The Group has tax losses arising in the PRC of approximately HK\$518,810,000 (2024: HK\$508,940,000) that will expire in one to five years for offsetting against future taxable profits. Other losses may be carried forward indefinitely.

According to the Enterprise Income Tax Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when its PRC subsidiary declares dividends out of its profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

At the end of the reporting period, temporary difference relating to the undistributed profits of the Company's subsidiaries in the PRC was HK\$160,460,000 (2024: HK\$449,673,000). A deferred tax liability of approximately HK\$8,023,000 (2024: HK\$21,061,000) has been provided for in the consolidated financial statements in respect of undistributed profits of HK\$160,460,000 (2024: HK\$421,220,000). No deferred tax liability has been recognised in respect of the remaining undistributed profits of nil (2024: HK\$28,453,000) as the Group controls the dividend policy of the subsidiaries and the Directors have determined that these retained profits are not likely to be distributed in the foreseeable future.

23. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	130,664	144,612
Work in progress	109,074	100,279
Finished goods	183,611	121,103
	423,349	365,994

Reversal of allowance for inventories during the year, as included in "cost of sales", amounted to approximately HK\$8,793,000 (2024: HK\$4,023,000) (see Note 8). The Group reversed the allowance of inventories because the related inventories were utilised or sold during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	192,353	200,762
Less: Loss allowance	(1,159)	(633)
Bills receivable	191,194	200,129
	95,979	51,376
Prepayments	287,173	251,505
Other receivables	38,900	22,879
	35,513	28,770
Total trade and other receivables	361,586	303,154

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:

	2025 HK\$'000	2024 HK\$'000
0–60 days	151,935	175,934
61–90 days	19,137	3,739
Over 90 days	20,122	20,456
	191,194	200,129

Movement in the loss allowance for trade receivables

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	633	2,199
Currency realignment	(87)	(73)
Impairment losses recognised on trade receivables	820	41
Amounts written off as uncollectible	–	(1,472)
Amounts recovered during the year	(207)	(62)
At end of the year	1,159	633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Carrying amounts of trade and bills receivables are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	10,392	77,442
USD	151,920	51,881
EUR	47,968	44,892
RMB	76,863	77,200
Others	30	90
	287,173	251,505

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances

Bank balances, with original maturity less than 3 months, carry interest at market rates which range from 0.01% to 0.35% (2024: 0.01% to 2.00%) per annum.

Carrying amounts of cash and bank balances are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	21,227	18,726
USD	26,570	57,000
EUR	34,292	53,113
RMB	116,962	119,168
INR	–	967
Others	198	1,527
	199,249	250,501

At 31 December 2025, restricted cash amounted to approximately HK\$42,644,000 (2024: HK\$16,463,000) comprises deposits held at banks as collateral for the issuance of the bills payable. The carrying amount of restricted cash approximates its fair value and denominated in RMB.

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (Note 26) HK\$'000	Loan from fellow subsidiary (Note 26) HK\$'000	Lease liabilities HK\$'000	Loan from immediate holding company (Note 26) HK\$'000	Bank and other borrowings (Note 30) HK\$'000	Total HK\$'000
At 1 January 2025	29,951	-	18,705	135,000	1,185,273	1,368,929
Changes from financing cash flows:						
New borrowings raised	-	166,056	-	-	2,155,738	2,321,794
Repayment of borrowings	-	-	-	(8,000)	(2,257,781)	(2,265,781)
Interest paid	-	-	-	-	(43,217)	(43,217)
Capital element of lease rentals paid	-	-	(8,886)	-	-	(8,886)
Interest element of lease rentals paid	-	-	(655)	-	-	(655)
Total changes from financing cash flows	-	166,056	(9,541)	(8,000)	(145,260)	3,255
Other changes:						
Currency realignment	(126)	-	795	-	18,052	18,721
Interest expenses	2,425	-	-	-	43,217	45,642
Interest expenses on lease liabilities	-	-	655	-	-	655
Total other changes	2,299	-	1,450	-	61,269	65,018
At 31 December 2025	32,250	166,056	10,614	127,000	1,101,282	1,437,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Interest payable (Note 26) HK\$'000	Lease liabilities HK\$'000	Loan from immediate holding company (Note 26) HK\$'000	Bank and other borrowings (Note 30) HK\$'000	Total HK\$'000
At 1 January 2024	30,176	18,345	135,000	1,188,857	1,372,378
Changes from financing cash flows:					
New borrowings raised	–	–	–	969,836	969,836
Repayment of borrowings	–	–	–	(958,714)	(958,714)
Interest paid	–	–	–	(69,483)	(69,483)
Capital element of lease rentals paid	–	(7,486)	–	–	(7,486)
Interest element of lease rentals paid	–	(638)	–	–	(638)
Total changes from financing cash flows	–	(8,124)	–	(58,361)	(66,485)
Other changes:					
Currency realignment	(225)	(586)	–	(14,607)	(15,418)
Increase in lease liabilities from entering into new lease during the year	–	9,256	–	–	9,256
Decrease in lease liabilities of early termination	–	(824)	–	–	(824)
Interest expenses	–	–	–	69,384	69,384
Interest expenses on lease liabilities	–	638	–	–	638
Total other changes	(225)	8,484	–	54,777	63,036
At 31 December 2024	29,951	18,705	135,000	1,185,273	1,368,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within:		
Operating cash flows	442	445
Financing cash flows	9,541	8,124
	9,983	8,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	238,592	245,098
Bills payables	164,498	54,535
	403,090	299,633
Interest payable	32,250	29,951
Amount due to intermediate holding company (Note i)	44,286	43,196
Loan from immediate holding company (Note ii)	127,000	135,000
Payroll payables	71,015	63,623
Payables for property, plant and equipment	8,090	8,082
Payables for raw materials with unreceived invoices	109,425	83,230
Loan from fellow subsidiary (Note iii)	166,056	–
VAT and other tax payables	4,735	49,046
Accrued commission and other operation expenses	65,233	81,685
Others	52,626	54,207
	1,083,806	847,653

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 3% (2024: 4.3%) per annum and repayable within one year.
- (iii) The loan was unsecured, interest bearing at loan prime rate and repayable on demand.

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

	2025 HK\$'000	2024 HK\$'000
0–90 days	216,808	225,787
91–120 days	11,958	12,300
Over 120 days	9,826	7,011
	238,592	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TRADE AND OTHER PAYABLES *(Continued)*

Carrying amounts of trade and bills payables are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	7,250	3,999
USD	2,277	89
EUR	14,555	18,251
RMB	378,796	276,999
CHF	–	130
Others	212	165
	403,090	299,633

27. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Receipt in advance	216,898	202,149

Note: Revenue of approximately HK\$201,180,000 recognised for the year ended 31 December 2025 (2024: HK\$127,128,000) was related to carried forward contract liabilities.

Movements in contract liabilities	2025 HK\$'000	2024 HK\$'000
Balance at 1 January	202,149	155,220
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of the period	(201,180)	(127,128)
Increase in contract liabilities as a result of billing in advance of manufacturing and selling activities	212,056	175,964
Currency realignment	3,873	(1,907)
Balance at 31 December	216,898	202,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. WARRANTY PROVISION

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	7,690	9,490
Currency realignment	937	(596)
Provision for the year	2,764	920
Utilisation of provision	(1,032)	(2,124)
At end of the year	10,359	7,690

The warranty provision represents management's best estimate of the Group's liability under a 12-month warranty period granted on sale of dyeing and finishing machines based on past experience.

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	Present value of minimum lease payments		Total minimum lease payments	
	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000	At 31 December 2025 HK\$'000	At 31 December 2024 HK\$'000
Amounts payable:				
Within one year	8,674	8,557	9,320	9,204
In the second to fifth year	1,940	10,148	1,981	10,474
	10,614	18,705	11,301	19,678
Less: Future finance charges			(687)	(973)
Present value of lease obligation			10,614	18,705
Less: Current portion			(8,674)	(8,557)
Non-current portion			1,940	10,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BANK AND OTHER BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Unsecured borrowings comprise the following:		
– Bank loans	37,090	37,036
– Trust receipts loans	40,743	80,993
– Loan from a financial institution fellow subsidiary	374,311	224,080
	452,144	342,109
Secured borrowings comprise the following:		
– Bank loans	649,138	843,164
	1,101,282	1,185,273
Analysed for reporting purpose:		
– Current	1,004,517	891,897
– Non-current	96,765	293,376
	1,101,282	1,185,273

At 31 December 2025, the Group's credit facilities to the extent of approximately HK\$1,738,225,000 (2024: HK\$2,368,227,000) were secured by:

- (a) property, plant and equipment and properties of approximately HK\$1,044,227,000 (2024: HK\$576,403,000) (Notes 10 and 13);
- (b) prepaid lease payments of approximately HK\$166,223,000 (2024: HK\$70,489,000) (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BANK AND OTHER BORROWINGS *(Continued)*

At 31 December 2025, the unutilised credit facilities amounted to approximately HK\$1,738,186,000 (2024: HK\$2,420,520,000). The contractual maturity dates of the borrowings are as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amounts repayable*		
Within one year	1,004,517	391,897
More than one year, but not exceeding two years	96,765	293,376
	1,101,282	685,273
Carrying amounts of borrowings contain a repayment on demand clause that are repayable (shown under current liabilities)*:		
Within one year	–	500,000
	1,101,282	1,185,273
Less: Amounts due within one year shown under current liabilities	(1,004,517)	(891,897)
Amounts shown under non-current liabilities	96,765	293,376

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

The effective interest rates at the end of reporting period were as follows:

	2025 %	2024 %
Bank loans and trust receipt loans	3.27	5.78
Loan from a financial institution fellow subsidiary	2.73	3.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BANK AND OTHER BORROWINGS *(Continued)*

The carrying amounts of the borrowings are denominated in the following currencies:

	2025 HK\$'000	2024 HK\$'000
HKD	281,000	500,000
RMB	820,282	685,273
	1,101,282	1,185,273

31. DEFERRED REVENUE

The movement of deferred revenue in relation to government grants is as follows:

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	47,943	53,365
Currency realignment	1,151	(1,072)
Recognised as other income during the year	(4,118)	(4,350)
At end of the year	44,976	47,943

The balance represents the government subsidy towards the cost of construction of its property, plant and equipment. The amount is transferred to other income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current period of HK\$4,118,000 (2024: HK\$4,350,000).

32. SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Share capital of the Company

	2025		2024	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:				
At 1 January and 31 December	1,100,216,570	55,011	1,100,216,570	55,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in Note 30, less cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Certain bank borrowings of the Group include covenants that require the maintenance of certain financial ratios. As at 31 December 2025, no financial ratio covenant was breached.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Financial assets		
	Amortised HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
2025			
Financial assets at FVOCI	–	19,371	19,371
Trade and other receivables	322,686	–	322,686
Cash and bank balances	199,249	–	199,249
	521,935	19,371	541,306

	Financial liabilities	
	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
2025		
Trade and other payables	1,079,071	1,079,071
Lease liabilities	10,614	10,614
Bank and other borrowings	1,101,282	1,101,282
	2,190,967	2,190,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(a) Categories of financial instruments *(Continued)*

	Financial assets		
	Amortised HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
2024			
Financial assets at FVOCI	–	21,289	21,289
Trade and other receivables	280,275	–	280,275
Cash and bank balances	250,501	–	250,501
	530,776	21,289	552,065
		Financial liabilities	
		Financial liabilities at amortised cost HK\$'000	Total HK\$'000
2024			
Trade and other payables		798,607	798,607
Lease liabilities		18,705	18,705
Bank and other borrowings		1,185,273	1,185,273
		2,002,585	2,002,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVOCI, trade and other receivables, cash and bank balances, unsecured bank overdraft, trade and other payables, lease liabilities and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk (currency risk)

Several subsidiaries of the Company have foreign currency sales and purchases denominated in USD, HKD, EUR and RMB, which expose the Group to foreign currency risk. The Group also has bank balances, trade and other receivables/payables and borrowings denominated in foreign currency. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will further consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at year end are as follows:

	Liabilities		Assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
USD	–	–	1,593	14,108
HKD	2,834	2,783	–	10
EUR	2,372	10,715	18,262	10,751
RMB	–	–	31,875	539

In the opinion of the Directors, since Hong Kong dollars is pegged to USD under the Linked Exchange Rate System, the exposure to USD exchange rate risk is minimal relative to Hong Kong dollars. No sensitivity analysis in relation to Hong Kong dollars against USD is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (currency risk) *(Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant functional currencies against the foreign currencies. 5% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates a decrease (an increase) in post-tax loss (2024: a decrease (an increase) in post-tax loss) where respective functional currencies weakening 5% against the relevant foreign currencies. For a 5% strengthen of respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax loss (2024: loss).

	USD		HKD		EUR		RMB	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Decrease (increase) in loss for the year*	38	589	(106)	(116)	663	2	1,331	23

* This is mainly attributable to the exposure outstanding on USD (against foreign currencies other than Hong Kong dollars), EUR and RMB receivables, payables, bank balances and borrowings at year end.

Market risk (interest rate risk)

The Group's cash flow interest rate risk relates to the bank balances and bank borrowings with floating interest rates. The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank balances and bank borrowings. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group currently does not use derivatives to hedge against the interest rate risk. However, the Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this Note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and LIBOR arising from the Group's Hong Kong dollars, United States dollars and Renminbi bank borrowings and the market interest rate on the bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (interest rate risk) *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. For variable-rate bank balances and bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit (2024: loss) for the year ended 31 December 2025 would decrease/increase (2024: increase/decrease) by approximately HK\$1,515,000 (2024: HK\$1,042,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Market risk (equity price risk)

The Group is exposed to equity price risk mainly through its investment in unlisted financial assets at FVOCI. The investment is held for long term strategic purposes. Its performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of its relevance to the Group's long term strategic plans.

Sensitivity analysis

The sensitivity analysis as stated in Note 34(c)(i) below has been determined based on the exposure to equity price risk at the end of the reporting period.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, bills receivable and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. As at 31 December 2025, the Group does not provide any guarantees which would expose the Group to credit risk.

(i) *Trade receivables*

Individual credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group has large number of customers and in the opinion of the Directors, there was no concentration of credit risk. As at 31 December 2025, 7% (2024: 7%) of the total trade receivables were concentrated in one customer, and 25% (2024: 24%) of the total trade receivables were concentrated in five customers of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

(i) Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
2025			
Current (not past due)	0%	126,388	–
1–30 days past due	0%	26,413	–
31–60 days past due	0%	25,740	–
61–180 days past due	0%	12,653	–
Over 180 days past due	0%–100%	1,159	1,159
		192,353	1,159
2024			
Current (not past due)	0%–1%	167,562	152
1–30 days past due	0%	16,003	2
31–60 days past due	0%	6,111	–
61–180 days past due	0%	10,375	315
Over 180 days past due	0%–100%	711	164
		200,762	633

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is disclosed in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

(ii) Bills receivables

The credit risk on bill receivables are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Other receivables

To manage the risk arising from other receivables, the Group only transacts with reputable parties that have no default history and have a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on other receivables are limited because the counterparties are individuals with high internal credit ratings assessed by the management.

The Group measures the loss allowance equal to 12-month ECLs of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group applies lifetime ECLs based on ageing for classes with different credit risk characteristics and exposures. The 12-month ECLs calculated by the Group is not significant and there has been no significant increase in credit risk since initial recognition.

(iv) Deposits with banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks with high credit ratings assigned by international credit-rating agencies. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Liquidity risk

Liquidity tables

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables *(Continued)*

	Weighted average interest rate %	On demand or within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2025						
Non-derivative financial liabilities						
Trade and other payables	-	786,015	-	-	786,015	786,015
Loan from immediate holding company	3.00	130,810	-	-	130,810	127,000
Loan from fellow subsidiary	3.00	171,038	-	-	171,038	166,056
Lease liabilities	4.50	9,230	1,981	-	11,211	10,614
Bank and other borrowings						
– variable rate	3.50	484,415	97,499	-	581,914	562,105
– fixed rate	2.80	554,085	-	-	554,085	539,177
		2,135,593	99,480	-	2,235,073	2,190,967
2024						
Non-derivative financial liabilities						
Trade and other payables	-	663,607	-	-	663,607	663,607
Loan from immediate holding company	4.30	140,805	-	-	140,805	135,000
Lease liabilities	4.50	9,204	8,493	1,981	19,678	18,705
Bank and other borrowings						
– variable rate	5.55	505,223	247,525	-	752,748	742,561
– fixed rate	3.24	399,431	57,604	-	457,035	442,712
		1,718,270	313,622	1,981	2,033,873	2,002,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables *(Continued)*

Bank loans with a repayment on demand clause are included in the “on demand or within 1 year” time band in the above maturity analysis. The Group has no bank loans with a repayment on demand clause as at 31 December 2025. As at 31 December 2024, the aggregate undiscounted principal amounts of these bank loans was HK\$500,000,000. Taking into account the Group’s financial position, the Directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid within 1 year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements set out in this table below:

	Weighted average interest rate %	On demand or within 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2024						
Bank and other borrowings						
- variable rate	6.23	531,150	-	-	531,150	500,000

At that time, the aggregate principal and interest cash outflows would be HK\$531,150,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates are different to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value estimation

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair values measured using Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.
- Level 2 valuations: fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair values measured using significant unobservable inputs.

	Fair value measurement categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
2025				
Financial assets at FVOCI	19,371	–	–	19,371
2024				
Financial assets at FVOCI	21,289	–	–	21,289

Information about Level 3 fair value measurements is as follows:

	Valuation technique	Significant unobservable input	Range
Financial assets at FVOCI	Market comparable companies	Adjusted price to book ratio	0.03 to 0.57 (2024: 0.07 to 0.33)
		Discount for lack of marketability	15.6% (2024: 15.6%)

The fair value of unlisted financial asset at FVOCI was determined using the adjusted price to book ratio of comparable listed companies adjusted by lack of marketability discount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value estimation *(Continued)*

(i) Financial instruments carried at fair value *(Continued)*

The fair value measurement is positively correlated to the adjusted price to book ratio. As at 31 December 2025, it was estimated that with all other variables held constants, a decrease/increase in adjusted price to book ratio by 10% would have decreased/increased the Group's other comprehensive income by approximately HK\$1,151,000 (2024: HK\$1,072,000).

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2025, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by approximately HK\$175,000 (2024: HK\$197,000).

The movements during the year ended 31 December 2025 in the balance of these Level 3 fair value measurements are as follows:

	HK\$'000
Unlisted financial assets at FVOCI:	
At 1 January 2024	22,900
Currency realignment	(490)
Change in fair value recognised in other comprehensive expense	(1,121)
At 31 December 2024 and 1 January 2025	21,289
Currency realignment	538
Change in fair value recognised in other comprehensive expense	(2,456)
At 31 December 2025	19,371

During the years ended 31 December 2025 and 2024, there were no transfers between financial instruments in Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) at the annual general meeting of the Company held on 21 May 2015 for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and enabling the Group to recruit and retain high-calibre employees and attracting human resources that are valuable to the Group.

The Board of Directors of the Company may, at their discretion, grant options to the eligible Participants including any full-time employees, directors or consultants of the Group. The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The maximum number of shares issuable under the options to each eligible Participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders’ approval in a general meeting of the Company.

Share options granted must be taken up within 5 days from the date of grant. Each of the grantees is required to pay HK\$1 as cash consideration for the grant of the share options in accordance with the Scheme. The total number of shares in respect of which share options may be granted shall not exceed 10% of the issued ordinary share capital. The exercise price is determined by the Board of Directors, and shall not be less than the higher of the closing price of the Company’s shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the share.

An option is deemed to have been granted and accepted by the grantee upon his or her signing of a duplicate letter comprising acceptance of the option and paying HK\$1 by way of consideration for the grant thereof on or before the relevant acceptance date being a date within 5 days after the date on which the option is offered.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board of Directors. An option period is a period to be determined by the Board of Directors in its absolute discretion and notified by the Board of Directors to each grantee as being the period during which an option may be exercised, such period shall commence from the date of acceptance of the offer for the grant of the option and shall end not later than 10 years from the date on which the offer for grant of the option is made.

The Scheme shall be valid and effective for a period of ten years commencing on the adoption date after which period no further share options shall be offered or granted but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted or exercised prior thereto.

There are no share option outstanding at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. CAPITAL COMMITMENTS

	2025 HK\$'000	2024 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of: Property, plant and equipment	18,823	35,315

37. RETIREMENT BENEFITS SCHEME

The major retirement benefits schemes of the Group are summarised as follows:

Schemes in Hong Kong

The Group has a defined contribution provident fund under Occupational Retirement Scheme (“ORSO Scheme”) for its Hong Kong employees. The Group is required to make contributions to the ORSO Scheme calculated at 5% of the employees’ basic salaries on a monthly basis. The Group’s contribution will start with 5% and further increase proportionally to a maximum of 8% of each employee’s basic salary after completion of three years of service to the Group. The employees are entitled to 100% of the employers’ contribution and the accrued interest after 10 years of completed service, or at a reduced scale of between 30% to 100% after completion of 3 to 10 years of service. The forfeited contributions and related accrued interest are to be used to reduce the employers’ contribution.

With effect from 1 December 2000, the Group has also participated in Hong Kong Mandatory Provident Fund Scheme (“MPF Scheme”). The assets of the MPF Scheme are held under two mandatory provident funds managed by AXA China Region Trustees Limited and Sun Life Trustee Co. Ltd. respectively. Under the MPF Scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees’ relevant income subject to a monthly maximum amount of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme (as defined in the Mandatory Provident Fund Scheme Ordinance).

The employees entitled to participate in the ORSO Scheme before 1 December 2000 were given an option to join the MPF Scheme or to continue making contributions to the ORSO Scheme. All other existing or newly employed employees are required to join the MPF Scheme. The Group is required to make contributions to either of the two schemes in accordance with the option selected by the employees.

The aggregate employers’ contributions which have been dealt with in profit or loss of the Group amounted to approximately HK\$1,126,000 (2024: HK\$912,000).

At the end of the reporting period, there are no significant forfeited contributions available to offset employer’s future contributions to the ORSO Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. RETIREMENT BENEFITS SCHEME *(Continued)*

Scheme in the PRC

The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 15% to 16% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to profit or loss for the scheme in the PRC amounted to approximately HK\$36,420,000 (2024: HK\$38,857,000).

Scheme in Germany

In Germany, the Group is obliged to contribute to a social pension programme for employees on a monthly basis at around 9.95% of the employees' gross income. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contribution.

The total cost charged to profit or loss for the scheme in Germany amounted to approximately HK\$9,248,000 (2024: HK\$7,451,000).

In Germany, the Group operates a defined benefit plan for its employees, the Group is required to pay the benefits granted to the present and past employees.

The movements of the defined benefit obligations are as follows:

	2025 HK\$'000	2024 HK\$'000
At beginning of the year	21,006	22,321
Re-measurement gain	(142)	(48)
	20,864	22,273
Currency realignment	2,401	(1,647)
Benefits paid by the plans	(4,503)	(629)
Current service cost	308	342
Interest cost	725	667
At end of the year	19,795	21,006

At the end of the reporting period, the amount of the defined benefit obligations is included in other payables (Note 26).

For the year ended 31 December 2025, the defined benefit plan is valued using the projected unit credit method in accordance with HKAS 19, which was prepared by a qualified actuary. A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions, and therefore the obligations are classified as current liabilities at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. RETIREMENT BENEFITS SCHEME *(Continued)*

Scheme in Germany *(Continued)*

The material actuarial assumptions used in valuing these obligations are as follows:

- (i) Discount rates adopted (per annum):

	2025	2024
Discount rate	3.5%	3.4%

- (ii) Mortality: Heubeck mortality tables;

- (iii) Pensionable income increase rate: 2.5% (2024: 2.5%); and

- (iv) Adjustment of current pensions according to Section 16 of German Company Pensions Act (BetrAVG): 2% (2024: 2%).

Scheme in Austria

In Austria, the Group is obliged to contribute to a social pension programme for employees on a monthly basis at around 12.55% of the employees' gross income. The only obligation of the Group with respect to this retirement benefit scheme is to make the specified contribution.

The total cost charged to profit or loss for the scheme in Austria amounted to approximately HK\$1,591,000 (2024: HK\$1,491,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RELATED PARTY TRANSACTIONS DISCLOSURES

The Company is a subsidiary of SINOMACH, a State-owned enterprise under the direct supervision and administration of, and is beneficially owned by, the SASAC. Accordingly, the Company and the Group are ultimately controlled by the PRC government.

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

	2025 HK\$'000	2024 HK\$'000
Related parties in which a Director of the Company has significant influence		
Purchase of materials	1,073	1,468
Fellow subsidiaries		
Rental income	463	–
Sales of goods	3,082	1,488
Service fee	372	366
Interest expense	11,823	3,816
Immediate holding company		
Other income	95	2
Interest expense	2,398	5,902
Associate		
Sales of goods	1,850	15,680

Outstanding balances with related parties

Apart from disclosed elsewhere in these consolidated financial statements, the Group had no other outstanding balances with related parties at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RELATED PARTY TRANSACTIONS DISCLOSURES *(Continued)*

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term benefits	12,605	10,906
Post-employment benefits	1,312	1,211
	13,917	12,117

The remuneration of Directors and key executives is determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

Government-related entities operated in the PRC

The Group has entered into various transactions, including deposits placements, bank borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. About 70% (2024: 56%) of its bank deposits and bank borrowings are with government-related entities. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration/ operations	Issued capital/ paid up capital	Equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2025	2024	2025	2024	
Fong's Manufactures Company Limited	British Virgin Island	US\$10,000	100%	100%	-	-	Investment holding
PT Harvest Holdings Limited	Hong Kong	HK\$10,000	-	-	100%	100%	Property investment
A. Monforts Textilmaschinen GmbH & Co.KG**	Germany	N/A	-	-	100%	100%	Manufacture and trading of textile machinery
Fong's Europe GmbH	Germany	EUR1,900,000	100%	-	-	100%	Manufacture and trading of textile machinery and technical parts
Fong's National Engineering Company Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$8,000,000 (Note i)	100%	-	-	100%	Trading of dyeing and finishing machines
Fong's National Engineering (Shenzhen) Co., Ltd.* 立信染整機械(深圳)有限公司	The PRC	US\$22,500,000	-	-	100%	100%	Manufacture and trading of dyeing and finishing machines
Fong's National Engineering (Guangdong) Co., Ltd.* 立信染整機械(廣東)有限公司	The PRC	US\$39,000,000	-	-	100%	100%	Manufacture and trading of dyeing and finishing machinery
Monforts Fong's Textile Machinery Co., Limited	Hong Kong	HK\$18,400,000	100%	100%	-	-	Trading of textile machinery
Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.* 立信門富士紡織機械(中山)有限公司	The PRC	US\$32,050,747	-	-	100%	100%	Manufacture and trading of textile machinery
Fong's Steels Supplies Company Limited	Hong Kong	HK\$10,000	100%	100%	-	-	Trading of stainless steel supplies
Fong's Steels (Foshan) Co., Ltd.* 立信鋼材(佛山)有限公司	The PRC	US\$458,917	-	-	-	100%	Trading of stainless steel supplies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation or registration/ operations	Issued capital/ paid up capital	Equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2025	2024	2025	2024	
Tycon Alloy Industries (Hong Kong) Co., Ltd.	Hong Kong	HK\$10,000	100%	100%	-	-	Trading of stainless steels casting products
Tycon Alloy Industries Holding Limited	Hong Kong	HK\$1	100%	100%	-	-	Trading of stainless steels casting products
Tycon Alloy Industries (Zhongshan) Co., Ltd.* 泰鋼合金(中山)有限公司	The PRC	US\$28,500,000	-	-	100%	100%	Manufacture and trading of stainless steels casting products
Beijing CSCE Environmental Engineering Technology Co., Ltd. ("Beijing CSCE") 北京中科潔能環境工程技術有限公司	The PRC	RMB30,000,000	-	-	51%	51%	Investment holding

* A wholly foreign-owned enterprise in the PRC.

** A. Monforts Textilmaschinen GmbH & Co KG is a partnership of which two subsidiaries of the Company are respectively acting as the limited partner and general partner.

Note:

- (i) The deferred shares entitle the holders to dividends from one half of the remaining net profit after the first HK\$10,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company. The deferred shares also entitle the holders to participate in distribution of one half of the surplus assets on winding up after the first HK\$20,000,000,000 has been distributed to holders of ordinary shares of HK\$1 each of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The details of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2025	2024
Manufacture and sale of dyeing and finishing machines	British virgin Islands	1	1
	Germany	1	1
	Hong Kong	3	4
	India	–	1
	Luxembourg	1	1
	The PRC	1	1
	Macau	–	1
		7	10
Manufacture and sale of stainless steel casting products and stainless steel supply chain	Hong Kong	1	1
	The United States of America	–	2
		1	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The following table lists out the information relating to the subsidiaries of the Group which have non-controlling interests as at 31 December 2025. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2025 Beijing CSCE HK\$'000	2024 Beijing CSCE HK\$'000
Non-controlling interests percentage	49%	49%
Current assets	81	97
Non-current assets	–	–
Current liabilities	(147,269)	(143,426)
Net liabilities	(147,188)	(143,329)
Carrying amount of non-controlling interests	(72,122)	(70,231)
	2025 Beijing CSCE HK\$'000	2024 Beijing CSCE HK\$'000
Revenue	–	–
Loss for the year	(239)	(229)
Loss allocated to non-controlling interests	(117)	(112)
Cash flows used in operating activities	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2025 HK\$'000	2024 HK\$'000
Non-current Assets		
Unlisted investments in subsidiaries (Note (i))	60,773	39,439
Current Assets		
Cash and cash equivalents	242	200
Amounts due from subsidiaries (Note (ii))	339,756	347,062
Other receivables	180	180
	340,178	347,442
Current Liabilities		
Other payables	31,824	30,158
Loan from immediate holding company	127,000	135,000
	158,824	165,158
Net assets	242,127	221,723
Share capital (Note 32(b))	55,011	55,011
Reserves	187,115	166,712
Total equity (Note a)	242,126	221,723

(i) As at 31 December 2025, investments in subsidiaries are carried at cost of HK\$60,773,000 (2024: HK\$39,439,000).

(ii) The amounts due from subsidiaries are unsecured, carrying interest-free per annum and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

- (a) Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Contributed surplus HK\$'000	Total HK\$'000
At 1 January 2024	55,011	152,122	2,504	(11,276)	23,033	221,394
Profit and total comprehensive income for the year	-	-	-	329	-	329
At 31 December 2024 and 1 January 2025	55,011	152,122	2,504	(10,947)	23,033	221,723
Profit and total comprehensive income for the year	-	-	-	20,403	-	20,403
At 31 December 2025	55,011	152,122	2,504	9,456	23,033	242,126

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
Revenue	2,672,467	2,488,688	1,740,330	1,968,433	2,146,824
Profit (loss) before tax	165,254	(239,189)	(248,484)	(104,879)	2,675
Income tax (expense) credit	(94,216)	(8,542)	9,693	(11,243)	1,410
Profit (loss) for the year	71,038	(247,731)	(238,791)	(116,122)	4,085
Profit (loss) attributable to:					
Owners of the Company	77,005	(204,621)	(238,623)	(118,420)	4,202
Non-controlling interests	(5,967)	(43,110)	(168)	2,298	(117)
	71,038	(247,731)	(238,791)	(116,122)	4,085

ASSETS AND LIABILITIES

	As at 31 December				2025 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	
Total assets	4,495,780	3,964,398	3,449,021	3,332,881	3,479,887
Total liabilities	(2,669,807)	(2,579,346)	(2,338,449)	(2,359,406)	(2,505,382)
	1,825,973	1,385,052	1,110,572	973,475	974,505
Equity attributable to:					
Owners of the Company	1,859,039	1,459,518	1,184,173	1,043,706	1,046,627
Non-controlling interests	(33,066)	(74,466)	(73,601)	(70,231)	(72,122)
	1,825,973	1,385,052	1,110,572	973,475	974,505