

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **CHTC FONG'S INDUSTRIES COMPANY LIMITED**

**恒天立信工業有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 641)

### **CONNECTED TRANSACTION SECOND ENTRUSTED LOAN AGREEMENT**

On 23 January 2017, FNES (an indirect wholly-owned subsidiary of the Company) entered into the First Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES (as the entrusting party and lender) had agreed to provide the First Entrusted Loan in the principal amount of RMB80 million to the Borrower (as borrower) through the Lending Bank (as the entrusted party and lending agent) in accordance with the terms thereunder, details of which have been set out in the announcement of the Company dated 23 January 2017. The outstanding amount under the First Entrusted Loan Agreement had been repaid in full on 29 December 2017.

The Board announces that, on 3 January 2018, FNES entered into the Second Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES (as the entrusting party and lender) agreed to provide the Second Entrusted Loan in the principal amount of RMB70 million to the Borrower (as borrower) through the Lending Bank (as the entrusted party and lending agent) in accordance with the terms thereunder.

FNES is indirectly holding 13.26% equity interest in the Borrower. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the Borrower is also owned as to 42.74% by the Parent Company and as to the remaining 44% by third parties independent of the Company and its connected persons as at the date of this announcement. Therefore, the Borrower is a connected person of the Company, and the Second Entrusted Loan provided by FNES to the Borrower under the Second Entrusted Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios represented by the Second Entrusted Loan in the principal amount of RMB70 million (equivalent to approximately HK\$82.6 million) exceeds 0.1% but is less than 5%, the transaction contemplated under the Second Entrusted Loan Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 23 January 2017 in relation to the connected transaction in respect of the First Entrusted Loan Agreement.

The Board announces that, on 3 January 2018, FNES entered into the Second Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES (as the entrusting party and lender) agreed to provide the Second Entrusted Loan in the principal amount of RMB70 million to the Borrower (as borrower) through the Lending Bank (as the entrusted party and lending agent).

## **SECOND ENTRUSTED LOAN AGREEMENT**

**Date:** 3 January 2018

**Parties:**

- (1) FNES;
- (2) the Borrower; and
- (3) the Lending Bank

The principal terms of the Second Entrusted Loan Agreement are set out as follows:

### **1. Amount of the Second Entrusted Loan**

The principal amount of the Second Entrusted Loan to be provided by FNES to the Borrower through the Lending Bank is RMB70 million. The Second Entrusted Loan shall be released to the Borrower in one lump sum.

## **2. Term**

The loan period is for a term of 10 months commencing from 3 January 2018 to 2 November 2018.

## **3. Interest rate**

The interest rate is 11% per annum and the accrued interest shall be payable on a quarterly basis and on 31 March 2018, 30 June 2018, 30 September 2018 and 3 November 2018 respectively.

## **4. Repayment of the Second Entrusted Loan**

The Borrower shall repay the principal amount of the Second Entrusted Loan in one lump sum on 3 November 2018.

## **5. Handling fee**

The handling fee payable to the Lending Bank for arranging the Second Entrusted Loan under the Second Entrusted Loan Agreement is RMB40,000. FNES shall pay such handling fee on an one-off basis to the Lending Bank upon drawdown of the Second Entrusted Loan by the Borrower.

## **PROVISION OF GUARANTEES**

In consideration of the Second Entrusted Loan, two subsidiary companies of the Borrower, which are principally engaged in real estate development in the PRC, have agreed to provide guarantees in favour of FNES for the principal amount of the Second Entrusted Loan, i.e. RMB70 million, as well as the applicable interest, penalty and other damages (if any, when the Borrower fails to repay the Second Entrusted Loan when it falls due).

## **SOURCE OF FUNDING**

The Second Entrusted Loan in the principal amount of RMB70 million will be funded by the Group's internal resources.

## **INFORMATION ON THE GROUP AND FNES**

The principal business activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and the manufacture and sale of stainless steel casting products. FNES is an indirect wholly-owned subsidiary of the Company and engaged in the design, manufacture and sale of dyeing and finishing machines and spare parts thereof.

The Parent Company is the controlling shareholder and hence a connected person of the Company, which is holding approximately 55.94% of the issued share capital of the Company as at the date of this announcement.

## **INFORMATION ON THE BORROWER**

The Borrower is a company established in the PRC and is principally engaged in real estate development with a number of property development projects in certain major cities in the PRC. FNES is indirectly holding 13.26% equity interest in the Borrower. Mr. Du Qianyi, being an Executive Director, is also a director of both FNES and the Borrower.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the Borrower is also owned as to 42.74% by the Parent Company and as to the remaining 44% by third parties independent of the Company and its connected persons as at the date of this announcement. Therefore, the Borrower is a connected person of the Company, and the Second Entrusted Loan provided by FNES to the Borrower under the Second Entrusted Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE LENDING BANK**

The Lending Bank is a joint stock company established in the PRC and is principally engaged in the provision of a range of banking services and related financial services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lending Bank and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **REASONS AND BENEFITS FOR THE PROVISION OF THE SECOND ENTRUSTED LOAN**

The Second Entrusted Loan's interest rate is higher than the interest rate received by the Group by placing cash deposits with commercial banks in the PRC. By entering into the Second Entrusted Loan Agreement, the Group intends to increase the rate of return of its cash and cash equivalents which can improve both the interest income and the profit of the Group. Further, the terms of the Second Entrusted Loan Agreement were agreed by the parties after arm's length negotiations having taking into account of, among other things, the prevailing market rates and market practices, the Borrower's financing needs for general working capital for a specific project and the Group's assessment on the source of funds for repayment and the business conditions and creditworthiness of the Borrower.

Taking into account of the interest income to be generated as a result of the Second Entrusted Loan Agreement, the Directors (including the Independent Non-executive Directors) are of the view that the Second Entrusted Loan will provide a better utilization of temporary surplus cash of the Group with acceptable levels of risk, and that the Second Entrusted Loan Agreement was entered into on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Du Qianyi, being an Executive Director, is considered to have a material interest in the Second Entrusted Loan Agreement in view of his respective positions in both FNES and the Borrower, and therefore had abstained from voting in respect of the board resolutions for approving the Second Entrusted Loan Agreement. Save as disclosed above, none of the Directors had a material interest in such transaction and abstained from voting.

## **FIRST ENTRUSTED LOAN**

On 23 January 2017, FNES entered into the First Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES (as the entrusting party and lender) had agreed to provide the First Entrusted Loan in the principal amount of RMB80 million to the Borrower (as borrower) through the Lending Bank (as the entrusted party and lending agent) in accordance with the terms thereunder, details of which have been set out in the announcement of the Company dated 23 January 2017. The outstanding amount under the First Entrusted Loan Agreement had been repaid in full on 29 December 2017.

## **IMPLICATIONS UNDER THE LISTING RULES**

As each of the applicable percentage ratios represented by the Second Entrusted Loan in the principal amount of RMB70 million (equivalent to approximately HK\$82.6 million) exceeds 0.1% but is less than 5%, the transaction contemplated under the Second Entrusted Loan Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The two subsidiary companies of the Borrower providing the guarantees under the Second Entrusted Loan Agreement are also connected persons of the Company under the Listing Rules. By virtue of the fact that the guarantees provided for the Second Entrusted Loan in the principal amount of RMB70 million and the applicable interest, penalty and other damages are for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect thereof, such guarantees constitute exempted connected transactions of the Company under Rule 14A.90 of the Listing Rules which are exempt from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Borrower”	恒天地產有限公司 (Hengtian Real Estate Company Limited), a limited liability company established in the PRC which is principally engaged in real estate development in the PRC
“Company”	CHTC Fong's Industries Company Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“First Entrusted Loan”	the entrusted loan in the principal amount of RMB80 million provided by FNES to the Borrower through the Lending Bank pursuant to the First Entrusted Loan Agreement
“First Entrusted Loan Agreement”	the entrusted loan agreement dated 23 January 2017 entered into among FNES, the Borrower and the Lending Bank in relation to the provision of the First Entrusted Loan to the Borrower
“FNES”	立信染整機械(深圳)有限公司 (Fong’s National Engineering (Shenzhen) Co., Ltd.), a wholly-foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lending Bank”	中國銀行股份有限公司深圳布吉支行 (Bank of China Limited, Buji, Shenzhen Branch), a joint stock company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Parent Company”	中國恒天集團有限公司 (China Hi-Tech Group Corporation), the controlling shareholder of the Company holding approximately 55.94% of the issued share capital of the Company as at the date of this announcement

“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Entrusted Loan”	the entrusted loan in the principal amount of RMB70 million to be provided by FNES to the Borrower through the Lending Bank pursuant to the Second Entrusted Loan Agreement
“Second Entrusted Loan Agreement”	the entrusted loan agreement dated 3 January 2018 entered into among FNES, the Borrower and the Lending Bank in relation to the provision of the Second Entrusted Loan to the Borrower
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

On behalf of the Board  
**CHTC Fong’s Industries Company Limited**  
**Ye Maoxin**  
*Chairman*

Hong Kong, 3 January 2018

*In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1: HK\$1.18. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.*

*In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

*As at the date of this announcement, the Company’s Executive Directors are Mr. Ye Maoxin (Chairman), Mr. Ji Xin (Chief Executive Officer) and Mr. Du Qianyi (Chief Financial Officer); the Non-executive Director is Mr. Fong Kwok Leung, Kevin; and the Independent Non-executive Directors are Mr. Ying Wei, Dr. Yuen Ming Fai and Mr. Li Jianxin.*