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China Fortune Holdings Limited

中國長遠控股有限公司*

(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Ltd.)

(Stock Code: 110)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

PURCHASE AGREEMENT I AND PURCHASE AGREEMENT II

On 10 May 2018, Chongqing Yuanjia, a 51% owned subsidiary of the Company, entered into the Purchase Agreement I with Chongqing Supplier I. On 15 June 2018, Chongqing Yuanjia entered into the Purchase Agreement II with Chongqing Supplier II, a wholly owned subsidiary of Chongqing Supplier I. Pursuant to the Purchase Agreement I, Chongqing Supplier I agreed to sell, and Chongqing Yuanjia agreed to purchase 53,000 mobile devices at the total consideration of RMB19.9 million (equivalent to approximately HK\$23.2 million). Pursuant to the Purchase Agreement II, Chongqing Supplier II agreed to sell, and the Chongqing Yuanjia agreed to purchase 95,000 mobile devices at the total consideration of RMB50.4 million (equivalent to approximately HK\$58.8 million).

MASTER AGREEMENT

The Board is also pleased to announce that, on 20 July 2018 (after trading hours), Chongqing Yuanjia and Chongqing Supplier I and Chongqing Supplier II entered into the Master Agreement, pursuant to which Chongqing Supplier I and Chongqing Supplier II agreed to, among other things, supply the mobile devices, and Chongqing Yuanjia agreed purchase the mobile devices for a term commencing on 20 July 2018 and ending on 31 December 2020 (both dates inclusive).

* *For identification purpose only*

LISTING RULES IMPLICATION

Since Chongqing Supplier I's holding company, Guangzhou Wanchuang, holds 49% of shareholding in Chongqing Yuanjia, Chongqing Supplier I is a connected person of the Company at the subsidiary level. Furthermore, Chongqing Supplier I is the holding company of Chongqing Supplier II. Therefore, both the Purchase Agreement I and the Purchase Agreement II constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As (i) Chongqing Supplier I and Chongqing Supplier II are connected persons at the subsidiary level of the Company; (ii) the connected transactions contemplated under the Purchase Agreement I and the Purchase Agreement II are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Connected Transactions and confirmed that the terms of the Connected Transactions are fair and reasonable and that the Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Connected Transactions contemplated under the Purchase Agreement I and the Purchase Agreement II are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

As (i) Chongqing Supplier I and Chongqing Supplier II are connected persons at the subsidiary level of the Company; (ii) the Continuing Connected Transactions contemplated under the Master Agreement are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Continuing Connected Transactions and confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and that the Continuing Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions contemplated under the Master Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

INTRODUCTION

On 10 May 2018, Chongqing Yuanjia, a 51% owned subsidiary of the Company, entered into the Purchase Agreement I with Chongqing Supplier I. Pursuant to the Purchase Agreement I, Chongqing Supplier I agreed to sell, and Chongqing Yuanjia agreed to purchase 53,000 mobile devices at the total consideration of RMB19.9 million (equivalent to approximately HK\$23.2 million).

On 15 June 2018, Chongqing Yuanjia entered into the Purchase Agreement II with Chongqing Supplier II. Pursuant to the Purchase Agreement II, Chongqing Supplier II agreed to sell, and Chongqing Yuanjia agreed to purchase 95,000 mobile devices at the total consideration of RMB50.4 million (equivalent to approximately HK\$58.8 million).

PURCHASE AGREEMENT I

Date

10 May 2018

Parties

- (a) Chongqing Supplier I as seller; and
- (b) Chongqing Yuanjia as buyer

Consideration

The consideration under Purchase Agreement I of RMB19.9 million (equivalent to approximately HK\$23.2 million) (including value-added tax of approximately RMB2.7 million, equivalent to HK\$3.2 million) to purchase 53,000 mobile devices from Chongqing Supplier I. This was determined after arm's length negotiations between Chongqing Supplier I and Chongqing Yuanjia.

Payment

The consideration under the Purchase Agreement I shall be payable in RMB by bank transfer within 60 days after the issue of the value-added tax invoice by Chongqing Supplier I.

Completion

Completion of the Purchase Agreement I has taken place on 1 June 2018.

PURCHASE AGREEMENT II

Date

15 June 2018

Parties

- (a) Chongqing Supplier II as seller; and
- (b) Chongqing Yuanjia as buyer

Consideration

The consideration under the Purchase Agreement II of RMB50.4 million (equivalent to approximately HK\$58.8 million) (including value-added tax of approximately RMB6.9 million, equivalent to HK\$8.1 million) to purchase 95,000 mobile devices from Chongqing Supplier II. This was determined after arm's length negotiations between Chongqing Supplier II and Chongqing Yuanjia.

Payment

The consideration under the Purchase Agreement II shall be payable in RMB by bank transfer within 60 days after the issue of the value-added tax invoice by Chongqing Supplier II.

Completion

Completion of the Purchase Agreement II has taken place on 15 June 2018.

EXCLUSIVE AGREEMENT

The Board is pleased to announce that, on 2 July 2018 Chongqing Supplier II and Chongqing Yuanjia entered into the Exclusive Agreement, pursuant to which Chongqing Supplier II agreed to, among other things, supply the mobile devices and Chongqing Yuanjia obtained the exclusive rights to sell the Chongqing Supplier II's mobile brand mobile devices nationwide in PRC.

MASTER AGREEMENT

The Board is pleased to announce that, on 20 July 2018 after trading hours, Chongqing Yuanjia and Chongqing Supplier I and Chongqing Supplier II entered into the Master Agreement, pursuant to which Chongqing Supplier I and Chongqing Supplier II agreed to, among other things, supply the mobile devices, and Chongqing Yuanjia agreed to be supplied the mobile devices for a term commencing on 20 July 2018 and ending on 31 December 2020 (both dates inclusive).

The principal terms of the Master Agreement are as below:

Date	20 July 2018
Parties	Chongqing Supplier I and Chongqing Supplier II as sellers Chongqing Yuanjia as buyer
Duration	From 20 July 2018 to 31 December 2020

PROPOSED ANNUAL CAPS:

The following table sets out the Proposed Annual Caps under the Master Agreement:

For the period from 20 July 2018 to 31 December 2018 <i>RMB'000</i>	For the year ending 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>
60,000	120,000	120,000

DETERMINATION OF THE PROPOSED ANNUAL CAPS

In determining the Proposed Annual Caps, the Group and Chongqing Supplier I and Chongqing Supplier II have taken into account the Chongqing Supplier I's and Chongqing Supplier II's forecasted annual sales of 200,000 units of its own brand mobile devices. The mobile devices to be purchased from Chongqing Supplier I and Chongqing Supplier II by the Company pursuant to the Master Agreement shall be on arm's length basis and the sales order to be placed by the Company shall be on normal and usual commercial terms and comparable to those applicable to the purchase of the same type of mobile devices from other independent third-party suppliers.

The Directors are of the view that the Proposed Annual Caps are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INTERNAL CONTROL PROCEDURES

The Company will make comparison of Chongqing Supplier I's and Chongqing Supplier II's own brand mobile devices with its sales of other brand mobile devices and ensure that the profit margins of selling Chongqing Supplier I's and Chongqing Supplier II's own brand mobile devices are comparable to its sales of other brand mobile devices.

REASONS FOR AND BENEFITS OF THE PURCHASE AGREEMENT I, THE PURCHASE AGREEMENT II AND THE MASTER AGREEMENT

Chongqing Supplier I and Chongqing Supplier II have given credit period to the Company of 60 days after the issue of the value-added tax invoices, despite the usual credit period of less than 30 days in the mobile trading industry. Furthermore, Chongqing Supplier I and Chongqing Supplier II have given the Company the exclusive rights to distribute their own brand mobile devices nationwide in PRC exclusively.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Agreement and the transactions contemplated thereunder are fair and reasonable, and it is in the interest of the Group and the Shareholders as a whole to enter into the Master Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

The Group is principally engaged in distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

Chongqing Yuanjia is a 51% owned subsidiary of the Company and is principally engaged in mobile phones trading. The remaining 49% of Chongqing Yuanjia is owned by Guangzhou Wanchuang, which in turn holds 100% of Chongqing Supplier I. Chongqing Supplier I in turn holds 100% of Chongqing Supplier II.

Chongqing Supplier I is principally engaged sale of communication terminal equipment, mobile telephones, computers and auxiliary equipment, production, research and development, sales, maintenance and technical consultation of electronic products; property management; import and export of goods and technology. To be best knowledge of the Directors, save as Chongqing Supplier I's interests in Chongqing Yuanjia, Chongqing Supplier I and its beneficial owners are Independent Third Parties.

Chongqing Supplier II is principally engaged in research and development, manufacturing, sales, maintenance and technical consultation of communication terminal equipment, mobile telephones, computers and auxiliary equipment, electronic products; research and development of communication technology, computer software, technical consultation; computer technology services; goods and technology import and export. Chongqing Supplier II is wholly-owned by Chongqing Supplier I.

LISTING RULES IMPLICATION

Since Chongqing Supplier I's holding company, Guangzhou Wanchuang, holds 49% of shareholding in Chongqing Yuanjia, Chongqing Supplier I is a connected person of the Company at the subsidiary level. Furthermore, Chongqing Supplier I is the ultimate holding company of Chongqing Supplier II. Therefore, both the Purchase Agreement I and the Purchase Agreement II constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As (i) Chongqing Supplier I and Chongqing Supplier II are connected persons at the subsidiary level of the Company; (ii) the Connected Transactions contemplated under the Purchase Agreement I and the Purchase Agreement II are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Connected Transactions and confirmed that the terms of the Connected Transactions are fair and reasonable and that the Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Connected Transactions contemplated under the Purchase Agreement I and the Purchase Agreement II are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

As (i) Chongqing Supplier I and Chongqing Supplier II are connected persons at the subsidiary level of the Company; (ii) the continuing connected transactions contemplated under the Master Agreement are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors) has approved the Continuing Connected Transactions and confirmed that the terms of the Continuing Connected Transactions are fair and reasonable and that the Continuing Connected Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the Continuing Connected Transactions contemplated under the Master Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

DEFINITION

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Annual Caps”	annual caps in respect of the amount payable by Chongqing Yuanjia to Chongqing Supplier I and Chongqing Supplier II and their associates for the provision of the supply of mobile devices
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chongqing Supplier I”	重慶萬創實業有限公司(Chongqing Wenchuang Enterprise Company Limited*), a company incorporated in PRC
“Chongqing Supplier II”	重慶唯亞致新科技有限公司(Chongqing Weiyazhixin Technology Company Limited*), a company incorporated in PRC and a wholly owned subsidiary of Chongqing Supplier I
“Chongqing Yuanjia”	重慶遠嘉通信設備有限公司 (Chongqing Yuanjia Communication Equipment Company Limited*), a company incorporated in PRC and a subsidiary of the Company
“Company”	China Fortune Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Connected Transactions”	the transactions contemplated under the Purchase Agreement I and Purchase Agreement II
“Consideration”	the aggregate consideration payable in accordance with the terms of the Purchase Agreement I and the Purchase Agreement II

“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement
“Director(s)”	the director(s) of the Company
“Exclusive Agreement”	the agreement dated 2 July 2018 entered into between Chongqing Supplier II and Chongqing Yuanjia
“Group”	the Company and its subsidiaries
“Guangzhou Wanchuang”	廣州萬創電子有限公司 (Guangzhou Wanchuang Electronics Co., Ltd.*), the 100% holding company of Chongqing Supplier I and 49% holding company of Chongqing Yuanjia
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party and its ultimate beneficial owners who are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s)
“Listing Rules”	Rules Governing the Listing of Securities on the Main Board
“Main Board”	The Main Board of the Stock Exchange
“Master Agreement”	the master agreement entered into between Chongqing Supplier I and Chongqing Supplier II and Chongqing Yuanjia on 20 July 2018
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps for the period from 20 July 2018 to 31 December 2018, for the year ending 31 December 2019 and 31 December 2020 of the continuing connected transactions under the Master Agreement

“Purchase Agreement I”	the agreement dated 10 May 2018 entered into between Chongqing Supplier I and Chongqing Yuanjia
“Purchase Agreement II”	the agreement dated 15 June 2018 entered into between Chongqing Supplier II and Chongqing Yuanjia
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By Order of the Board
China Fortune Holdings Limited
Lau Siu Ying
Chairman and Chief Executive Officer

Hong Kong, 20 July 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lau Siu Ying and Mr. Wang Yu; one non-executive Director, namely Mr. Bao Kang Rong; and three independent non-executive Directors, namely Dr. Law Chun Kwan, Mr. Lam Man Kit and Dr. Lo Wai Shun.