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**CHTC FONG'S INTERNATIONAL COMPANY LIMITED**

**中國恒天立信國際有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 641)

**CONTINUING CONNECTED TRANSACTIONS  
PROCUREMENT AGREEMENT IN RELATION TO  
PURCHASE OF VALVES**

Reference is made to the announcement of the Company dated 29 December 2016 in relation to the Original Procurement Agreement. In view of the prospective expiry of the Original Procurement Agreement on 31 December 2018, Fong's SZ, Fong's GD and Monforts Fong's (as purchaser) entered into the 2019-2021 Procurement Agreement with Keyvalve (as seller) for the sale and purchase of certain categories of valves for industrial use.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, Mr. Fong, a non-executive Director of the Company holding approximately 11.76% interests in the issued share capital of the Company within the meaning of Part XV of the SFO, is indirectly holding 50% equity interest in Keyvalve, thereby Keyvalve becomes an associate of Mr. Fong and is a connected person of the Company under the Listing Rules.

In respect of the Annual Caps under the 2019-2021 Procurement Agreement, as each of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules, exceeds 0.1% but is less than 5%, the continuing connected transactions contemplated under the 2019-2021 Procurement Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with applicable continuing connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 29 December 2016 in relation to the Original Procurement Agreement. In view of the prospective expiry of the Original Procurement Agreement on 31 December 2018, Fong's SZ, Fong's GD and Monforts Fong's (as purchaser) entered into the 2019-2021 Procurement Agreement with Keyvalve (as seller) for the sale and purchase of certain categories of valves for industrial use.

## **THE 2019-2021 PROCUREMENT AGREEMENT**

A summary of the principal terms of the 2019-2021 Procurement Agreement is as follows:

- Date:** 28 December 2018
- Parties:** (1) Keyvalve, as seller; and  
(2) Fong's SZ, Fong's GD and Monforts Fong's, all are indirect wholly-owned subsidiaries of the Company, as purchaser
- Term:** From 1 January 2019 to 31 December 2021
- Subject:** Pursuant to the 2019-2021 Procurement Agreement, Fong's SZ, Fong's GD and Monforts Fong's have agreed to purchase from Keyvalve certain categories of valves for their production of dyeing and finishing machines by issuing purchase orders from time to time to Keyvalve
- Pricing policy:** Parties to the 2019-2021 Procurement Agreement will agree from time to time a price list setting out the price, specifications and delivery schedule in respect of each category of valves, upon which the purchase orders must adhere to
- Payment Terms:** Fong's SZ, Fong's GD and Monforts Fong's shall settle the invoice amount in respect of the purchase of the valves supplied by Keyvalve within the next month after its receipt of the invoice

The price of each category of valves specified in the price list will be determined with reference to (i) the prevailing market price of such valve; and (ii) the price of such valve supplied to Fong's SZ and/or Fong's GD and/or Monforts Fong's from other suppliers. For the purpose of obtaining market prices, Fong's SZ and/or Fong's GD and/or Monforts Fong's will make reference to the price quotations from other suppliers for valves of comparable quality, quantity and specifications. In any event, terms of each purchase from Keyvalve will be no less favourable to Fong's SZ and/or Fong's GD and/or Monforts Fong's than terms which can be obtained from other independent third party suppliers for purchasing valves of comparable quality, quantity and specifications.

If there is no market price available for a particular category of valves, the price of such valve will be determined on a cost-plus basis with reference to the cost incurred by Keyvalve for the supply of such valve (including all costs, expenses relating to raw material procurement, production, transportation, marketing, operation and management). The Directors (including the independent non-executive Directors) are of the view that the aforesaid method and procedures can ensure that the continuing connected transactions under the 2019-2021 Procurement Agreement will be conducted on normal commercial terms.

## **REASONS FOR ENTERING INTO THE 2019-2021 PROCUREMENT AGREEMENT**

Fong's SZ, Fong's GD and Monforts Fong's are indirect wholly-owned subsidiaries of the Company and engaged in the design, manufacture and sale of dyeing and finishing machines and spare parts thereof.

Keyvalve is a wholly-foreign owned enterprise established in the PRC and engaged in the manufacture and sale of various types of valves for industrial use. Keyvalve has been selected as a qualified supplier for years after going through the Group's qualification and bidding procedures, as it has been able to consistently meet the Group's stringent requirements of product quality and delivery time. Hence, Fong's SZ and/or Fong's GD and/or Monforts Fong's will continue to purchase from Keyvalve certain categories of valves on an order-by-order basis for the purpose of manufacturing its dyeing and finishing machines. The Board believes that having reliable and cooperative suppliers is very important for and beneficial to the Group and it is commercially justified for Fong's SZ, Fong's GD and Monforts Fong's to enter into the 2019-2021 Procurement Agreement with Keyvalve. The purchase of the valves required by the products of Fong's SZ, Fong's GD and Monforts Fong's from Keyvalve gives assurance to Fong's SZ, Fong's GD and Monforts Fong's in terms of the quality and timely delivery of such spare part for their production.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, Mr. Fong, a non-executive Director of the Company holding approximately 11.76% interests in the issued share capital of the Company within the meaning of Part XV of the SFO, is indirectly holding 50% equity interest in Keyvalve, thereby Keyvalve becomes an associate of Mr. Fong and is a connected person of the Company under the Listing Rules. The remaining 50% equity interest of Keyvalve is owned by a third party independent of the Company and its connected persons.

The Board (including the independent non-executive Directors) considers that the 2019-2021 Procurement Agreement was entered into on normal commercial terms after arm's length negotiation between the parties and in the ordinary and usual course of business of Fong's SZ, Fong's GD and Monforts Fong's, and that the terms of the 2019-2021 Procurement Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Fong, being a non-executive Director of the Company, is considered to have a material interest in the 2019-2021 Procurement Agreement, and therefore abstained from voting on the board resolutions for approving the 2019-2021 Procurement Agreement and the continuing connected transactions contemplated thereunder.

## **HISTORICAL TRANSACTIONS AND ANNUAL CAPS**

For the year ended 31 December 2017 and for the eleven months ended 30 November 2018, the amounts of valves purchased by Fong's SZ from Keyvalve under the Original Procurement Agreement were RMB15,999,840 and RMB 12,316,572 respectively.

The Annual Caps during the term of the 2019-2021 Procurement Agreement are set out below:

	<b>For the year ending 31 December 2019</b>	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>
Annual cap amount	RMB26 million (equivalent to approximately HK\$29.38 million)	RMB28 million (equivalent to approximately HK\$31.64 million)	RMB30 million (equivalent to approximately HK\$33.90 million)

The Annual Caps are determined with reference to:

- (i) The historical transaction amounts in respect of purchases of valves by Fong's SZ from Keyvalve;
- (ii) the anticipated demand that may be derived from the possible future growth of the dyeing and finishing machine segment of the Group; and
- (iii) the prospect of the economic environment and the markets relevant to the Group, in particular the dyeing and finishing machine segment.

## **INFORMATION OF THE PARTIES**

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies, manufacture and sale of stainless steel casting products and provision of environmental protection services. Fong's SZ, Fong's GD and Monforts Fong's are indirect wholly-owned subsidiaries of the Company and engaged in the design, manufacture and sale of dyeing and finishing machines and spare parts thereof.

Keyvalve is a wholly-foreign owned enterprise established in the PRC and engaged in the manufacture and sale of various types of valves for industrial use.

## **IMPLICATIONS UNDER THE LISTING RULES**

Keyvalve is owned as to 50% equity interest by Mr. Fong (a non-executive Director and a substantial shareholder of the Company) and is thus an associate of Mr. Fong. As such, Keyvalve is a connected person of the Company. Accordingly, the transactions contemplated under the 2019-2021 Procurement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In respect of the Annual Caps under the 2019-2021 Procurement Agreement, as each of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules, exceeds 0.1% but is less than 5%, the continuing connected transactions contemplated under the 2019-2021 Procurement Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in the future, the Company will comply with applicable continuing connected transaction regulatory 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:

“2019-2021 Procurement Agreement”	the procurement agreement dated 28 December 2018 entered into between Keyvalve (as seller) and Fong’s SZ, Fong’s GD and Monforts Fong’s (as purchaser) in relation to the sale and purchase of certain categories of valves for industrial use for the three financial years commencing on 1 January 2019 and ending on 31 December 2021
“Annual Caps”	the maximum aggregate annual amount of the transactions contemplated under the 2019-2021 Procurement Agreement for the purchase of certain categories of valves for each of the three years ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	CHTC Fong’s International 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
“Director(s)”	the director(s) of the Company
“Fong’s GD”	立信染整機械(廣東)有限公司 (Fong’s National Engineering (Guangdong) Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Fong’s SZ”	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
“Keyvalve”	奇偉閥門（深圳）有限公司（Keyvalve (Shenzhen) Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC with limited liability and an associate of Mr. Fong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Monforts Fong’s”	立信門富士紡織機械（中山）有限公司（Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Mr. Fong”	Mr. Fong Kwok Leung, Kevin
“Original Procurement Agreement”	the procurement agreement dated 29 December 2016 entered into between Keyvalve and Fong’s SZ in relation to the sale and purchase of certain categories of valves for industrial use for the period commencing from 4 November 2016 and ending on 31 December 2018
“percent ratios”	has the meaning ascribed to it under the Listing Rules

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per centum

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of company names in Chinese which are marked with “\*” is for identification purpose only.*

*In this announcement, the conversions of RMB into HK\$ have been made at an exchange rate of RMB1:HK\$1.13. Such conversions should not be construed as a representation that any amount has been, could have been or may be, exchanged at these or any other rates.*

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

Hong Kong, 28 December 2018

*As at the date of this announcement, the 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.*