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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)

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE FACTORING AGREEMENTS**

On 19 October 2021 (after the market close), certain indirect wholly-owned subsidiaries of the Company entered into the four non-recourse Factoring Agreements with COSCO Shipping Leasing, pursuant to which COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in an aggregate principal amount of RMB59,990,000 (equivalent to approximately HK\$72,550,000) to the subsidiaries of the Company in accordance with the terms and conditions of the Factoring Agreements. Each of the Factoring Agreements contains similar major terms to each other.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Factoring Agreements (on an aggregate basis) exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **I. INTRODUCTION**

The Board hereby announces that on 19 October 2021 (after the market close), certain indirect wholly-owned subsidiaries of the Company entered into the four non-recourse Factoring Agreements with COSCO Shipping Leasing, pursuant to which COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in an aggregate principal amount of RMB59,999,000 (equivalent to approximately HK\$72,550,000) to the subsidiaries of the Company in accordance with the terms and conditions of the Factoring Agreements. Each of the Factoring Agreements contains similar major terms to each other.

## II. THE FACTORING AGREEMENTS

Below is the summary of the principal terms and conditions of the Factoring Agreements, each of which contains similar major terms to each other.

### (1) Factoring Agreement I

Date of agreement	19 October 2021
Parties	(i) COSCO Shipping Leasing (as factor); (ii) Leefull Metal (Shenzhen) (as seller); and (iii) FNE (Guangdong) (as debtor)
Transfer of accounts receivable	COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in the principal amount of RMB27,000,000 (equivalent to approximately HK\$32,648,000) to Leefull Metal (Shenzhen) in accordance with the terms and conditions of the Factoring Agreement I
Type of financing	Non-recourse, i.e. if FNE (Guangdong) fails to pay any amounts due to COSCO Shipping Leasing under the Factoring Agreement I owing to credit reasons, COSCO Shipping Leasing has no right to claim any outstanding amount from Leefull Metal (Shenzhen)
Financing term	2 years from the date of signing of the Factoring Agreement I
Handling fee	RMB1,816,462.50 (equivalent to approximately HK\$2,196,448) which is calculated at the interest rate of 5.9% on the outstanding factoring principal amount and shall be payable by FNE (Guangdong) to COSCO Shipping Leasing by 8 quarterly instalments

Repayment of the factoring principal amount	RMB27,000,000 (equivalent to approximately HK\$32,648,000) repayable by FNE (Guangdong) to COSCO Shipping Leasing by 8 equal quarterly instalments of RMB3,375,000 (equivalent to approximately HK\$4,081,000)
Guarantors	FNE (Shenzhen), MF (Zhongshan), Tycon Alloy (Shenzhen) and Tycon Alloy (Zhongshan)

## **(2) Factoring Agreement II**

Date of agreement	19 October 2021
Parties	(i) COSCO Shipping Leasing (as factor); (ii) Tycon Alloy (Shenzhen) (as seller); and (iii) FNE (Guangdong) (as debtor)
Transfer of accounts receivable	COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in the principal amount of RMB4,900,000 (equivalent to approximately HK\$5,925,000) to Tycon Alloy (Shenzhen) in accordance with the terms and conditions of the Factoring Agreement II
Type of financing	Non-recourse, i.e. if FNE (Guangdong) fails to pay any amounts due to COSCO Shipping Leasing under the Factoring Agreement II owing to credit reasons, COSCO Shipping Leasing has no right to claim any outstanding amount from Tycon Alloy (Shenzhen)
Financing term	2 years from the date of signing of the Factoring Agreement II

Handling fee	RMB329,654.31 (equivalent to approximately HK\$398,615) which is calculated at the interest rate of 5.9% on the outstanding factoring principal amount and shall be payable by FNE (Guangdong) to COSCO Shipping Leasing by 8 quarterly instalments.
Repayment of the factoring principal amount	RMB4,900,000 (equivalent to approximately HK\$5,925,000) repayable by FNE (Guangdong) to COSCO Shipping Leasing by 8 equal quarterly instalments of RMB612,500 (equivalent to approximately HK\$740,625).
Guarantors	FNE (Shenzhen), MF (Zhongshan), Leefull Metal (Shenzhen) and Tycon Alloy (Zhongshan)

### **(3) Factoring Agreement III**

Date of agreement	19 October 2021
Parties	(i) COSCO Shipping Leasing (as factor); (ii) MF (Zhongshan) (as seller); and (iii) FNE (Guangdong) (as debtor)
Transfer of accounts receivable	COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in the principal amount of RMB2,299,000 (equivalent to approximately HK\$2,780,000) to MF (Zhongshan) in accordance with the terms and conditions of the Factoring Agreement III
Type of financing	Non-recourse, i.e. if FNE (Guangdong) fails to pay any amounts due to COSCO Shipping Leasing under the Factoring Agreement III owing to credit reasons, COSCO Shipping Leasing has no right to claim any outstanding amount from MF (Zhongshan)

Financing term	2 years from the date of signing of the Factoring Agreement III
Handling fee	RMB154,668.42 (equivalent to approximately HK\$187,023) which is calculated at the interest rate of 5.9% on the outstanding factoring principal amount and shall be payable by FNE (Guangdong) to COSCO Shipping Leasing by 8 quarterly instalments
Repayment of the factoring principal amount	RMB2,299,000 (equivalent to approximately HK\$2,780,000) repayable by FNE (Guangdong) to Horizon Factoring by 8 equal quarterly instalments of RMB287,375 (equivalent to approximately HK\$347,500)
Guarantors	FNE (Shenzhen), Leefull Metal (Shenzhen), Tycon Alloy (Shenzhen) and Tycon Alloy (Zhongshan)

**(4) Factoring Agreement IV**

Date of agreement	19 October 2021
Parties	(iv) COSCO Shipping Leasing (as factor); (v) FNE (Shenzhen) (as seller); and (vi) FNE (Guangdong) (as debtor)
Transfer of accounts receivable	COSCO Shipping Leasing has agreed to provide accounts receivable factoring services in the principal amount of RMB25,800,000 (equivalent to approximately HK\$31,197,000) to FNE (Shenzhen) in accordance with the terms and conditions of the Factoring Agreement IV

Type of financing	Non-recourse, i.e. if FNE (Guangdong) fails to pay any amounts due to COSCO Shipping Leasing under the Factoring Agreement IV owing to credit reasons, COSCO Shipping Leasing has no right to claim any outstanding amount from FNE (Shenzhen)
Financing term	2 years from the date of signing of the Factoring Agreement IV
Handling fee	RMB1,735,730.83 (equivalent to approximately HK\$2,098,828) which is calculated at the interest rate of 5.9% on the outstanding factoring principal amount and shall be payable by FNE (Guangdong) to COSCO Shipping Leasing by 8 quarterly instalments
Repayment of the factoring principal amount	RMB25,800,000 (equivalent to approximately HK\$31,197,000) repayable by FNE (Guangdong) to COSCO Shipping Leasing by 8 equal quarterly instalments of RMB3,225,000 (equivalent to approximately HK\$3,899,625)
Guarantors	Leefull Metal (Shenzhen), Tycon Alloy (Shenzhen), Tycon Alloy (Zhongshan) and MF (Zhongshan)

### **Guarantee**

Each of the guarantors shall provide a joint and several irrevocable guarantee in favour of COSCO Shipping Leasing in respect of the outstanding factoring principal amount, handling fees and default payment payable by the debtor to COSCO Shipping Leasing under the respective Factoring Agreements.

## **Repurchase**

During the term of the Factoring Agreements, any of the following circumstances constitutes an event of default, including but not limited to:

- (1) any relevant information provided to COSCO Shipping Leasing is untrue in terms of validity, authenticity and completeness;
- (2) the accounts receivable transferred to COSCO Shipping Leasing are not transferable;
- (3) the seller has commercial dispute with the debtor in respect of the underlying sales contracts;
- (4) the accounts receivable has been extinguished or transferred;
- (5) the accounts receivable has been subjected to third party rights or execution process;
- (6) the accounts receivable has expired, expected to be about expired or the limitation period for asserting claim for recovery thereof has expired; and
- (7) the debtor or the seller has breached any term, condition or warranty of the Factoring Agreement.

If an event of defaults has occurred, COSCO Shipping Leasing shall have the right to terminate any of the Factoring Agreements and request the seller under the respective Factoring Agreements to repurchase the accounts receivable due by the debtor and repay all the outstanding sum due, including the factoring principal amount, handling fees, default payment and other costs and expenses, to COSCO Shipping Leasing in one lump sum.

## **INFORMATION ABOUT THE GROUP**

The Company acts as an investment holding company. The Group is primarily engaged in the manufacture and sale of dyeing and finishing machines, manufacture and sale of stainless steel casting products and trading of stainless steel supplies.

FNE (Shenzhen), FNE (Guangdong) and MF (Zhongshan), being indirect wholly-owned subsidiaries of the Company, are principally engaged in the business of manufacture and sale of dyeing and finishing machines.

Leefull Metal (Shenzhen), being an indirect wholly-owned subsidiary of the Company, is principally engaged in trading of stainless steel supplies.

Tycon Alloy (Shenzhen) and Tycon Alloy (Zhongshan), being indirect wholly-owned subsidiaries of the Company, are principally engaged in the manufacture and sale of stainless steel casting products.

## **III. INFORMATION ABOUT COSCO SHIPPING LEASING**

COSCO Shipping Leasing, a company established in the PRC with limited liabilities and a wholly-owned subsidiary of 中遠海運發展股份有限公司 (COSCO Shipping Development Co., Ltd\*) (whose shares are listed on the main board of the Stock Exchange (stock code: 2866) and Shanghai Stock Exchange (stock code: 601866) and the ultimate holding company of which is 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited\*), which is in turn wholly-owned by the State Council of the PRC). COSCO Shipping Leasing is principally engaged in financial leasing and related businesses. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, COSCO Shipping Leasing and its ultimate beneficial owners are all independent third parties of the Company and its connected persons.



#### **IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE FACTORING AGREEMENTS**

The Board believes that the entering into of the Factoring Agreements will, on the one hand, help to optimise the financial structure of Group, reduce funds occupied by accounts receivable and alleviate the problem of insufficient working capital; and on the other hand, further expand the financing channels of the Group, which is beneficial to the development of the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the terms and conditions of the Factoring Agreements are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

#### **VI. IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the transactions contemplated under the Factoring Agreements (on an aggregate basis) exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## VII. DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	CHTC Fong’s International Company Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“COSCO Shipping Leasing”	中遠海運租賃有限公司 (COSCO Shipping Leasing Co., Ltd.*), a limited liability company established in the PRC
“Directors”	The directors of the Company
“Factoring Agreements”	Collectively, Factoring Agreement I, Factoring Agreement II, Factoring Agreement III and Factoring Agreement IV
“Factoring Agreement I”	the factoring agreement dated 19 October 2021 entered into among COSCO Shipping Leasing, Leefull Metal (Shenzhen) and FNE (Guangdong) in respect of the accounts receivable factoring services
“Factoring Agreement II”	the factoring agreement dated 19 October 2021 entered into among COSCO Shipping Leasing, Tycon Alloy (Shenzhen) and FNE (Guangdong) in respect of the accounts receivable factoring services

“Factoring Agreement III”	the factoring agreement dated 19 October 2021 entered into among COSCO Shipping Leasing, MF (Zhongshan) and FNE (Guangdong) in respect of the accounts receivable factoring services
“Factoring Agreement IV”	the factoring agreement dated 19 October 2021 entered into among COSCO Shipping Leasing, FNE (Shenzhen) and FNE (Guangdong) in respect of the accounts receivable factoring services
“FNE (Guangdong)”	立信染整機械(廣東)有限公司 (Fong’s National Engineering (Guangdong) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“FNE (Shenzhen)”	立信染整機械(深圳)有限公司 (Fong’s National Engineering (Shenzhen) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
Leefull Metal (Shenzhen)	立豐行金屬材料(深圳)有限公司 (Leefull Metal (Shenzhen) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MF (Zhongshan)”	立信門富士紡織機械(中山)有限公司 (Monforts Fong’s Textile Machinery (Zhongshan) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tycon Alloy (Shenzhen)”	泰鋼合金(深圳)有限公司 (Tycon Alloy Industries (Shenzhen) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“Tycon Alloy (Zhongshan)”	泰鋼合金(中山)有限公司 (Tycon Alloy Industries (Zhongshan) Co., Ltd*), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
“%”	per cent

In this announcement, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.21 for information purpose only. Such translation shall not be construed as a representation that the relevant amounts have been, or could be converted at that or any other rate or at all.

\* Denotes English translation of the name of a Chinese company, and is provided for identification purpose only. The official name is in Chinese.

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

Hong Kong, 20 October 2021

*As at the date of this announcement, the Company’s Executive Directors are Mr. Ye Maoxin (Chairman), Mr. Guan Youping (Chief Executive Officer), Ms. Guo Yunfei (Chief Financial Officer) and Mr. Wu Xudong; 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.*