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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 ENTRUSTED LOAN AGREEMENT

The Board is pleased to announce that on 23 January 2017, FNES (an indirect wholly-owned subsidiary of the Company) entered into the Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES, as the entrusting party and lender, agreed to provide the Entrusted Loan in the principal amount of RMB80 million (equivalent to approximately HK\$88 million) to the Borrower as borrower through the Lending Bank as the entrusted party and lending agent.

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 Entrusted Loan provided by FNES to the Borrower under the 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 principal amount of the Entrusted Loan exceeds 0.1% but is less than 5%, the transaction contemplated under the 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

The Board is pleased to announce that on 23 January 2017, FNES (an indirect wholly-owned subsidiary of the Company) entered into the Entrusted Loan Agreement with the Borrower and the Lending Bank, pursuant to which FNES, as the entrusting party and lender, agreed to provide the Entrusted Loan in the principal amount of RMB80 million (equivalent to approximately HK\$88 million) to the Borrower as borrower through the Lending Bank as the entrusted party and lending agent.

ENTRUSTED LOAN AGREEMENT

- Date:** 23 January 2017
- Parties:**
- (1) FNES;
 - (2) the Borrower; and
 - (3) the Lending Bank

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

1. Amount of the Entrusted Loan

The principal amount of the Entrusted Loan to be provided by FNES to the Borrower through the Lending Bank is RMB80 million (equivalent to approximately HK\$88 million). The Entrusted Loan shall be released to the Borrower in one lump sum.

2. Term

The loan period is from the date of drawdown to 29 December 2017. It is expected that the Entrusted Loan will be drawdown on or about 26 January 2017.

3. Interest rate

The interest rate is 11% per annum and the accrued interest shall be payable on a quarterly basis and on 21 March, 21 June, 21 September and 29 December respectively during the term of the Entrusted Loan.

4. Repayment of the Entrusted Loan

The Borrower shall repay the principal amount of the Entrusted Loan in one lump sum on 29 December 2017.

5. Handling fee

The handling fee payable to the Lending Bank for arranging the Entrusted Loan under the Entrusted Loan Agreement is RMB40,000 calculated at 0.05% of the principal amount of the Entrusted Loan. FNES shall pay such handling fee on an one-off basis to the Lending Bank upon drawdown of the Entrusted Loan by the Borrower.

PROVISION OF GUARANTEES

In consideration of the 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 Entrusted Loan, i.e. RMB80 million, as well as the applicable interest, penalty and other damages (if any, when the Borrower fails to repay the Entrusted Loan when it falls due).

SOURCE OF FUNDING

The Entrusted Loan in the principal amount of RMB80 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 55.80% 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 Entrusted Loan provided by FNES to the Borrower under the 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 ENTRUSTED LOAN

The 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 Entrusted Loan Agreement, the Group intends to increase the rate of return of its cash and cash equivalents which can improve both the investment income and the profit of the Group. Further, the terms of the Entrusted Loan Agreement, including the interest rate charged on the Borrower, 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 requirement 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. The Directors are of the view that the Entrusted Loan Agreement was entered into on normal commercial terms.

Taking into account of the interest income that is expected to be generated as a result of the Entrusted Loan Agreement, the Directors (including the Independent Non-executive Directors) are of the view that the Entrusted Loan will provide a better utilization of temporary surplus cash of the Group with acceptable levels of risk, and that the terms of the Entrusted Loan Agreement 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 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 Entrusted Loan Agreement. Save as disclosed above, none of the Directors had a material interest in such transaction and abstained from voting.

IMPLICATIONS UNDER THE LISTING RULES

As each of the applicable percentage ratios represented by the principal amount of the Entrusted Loan exceeds 0.1% but is less than 5%, the transaction contemplated under the 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 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 Entrusted Loan in the principal amount of RMB80 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
“Entrusted Loan”	the entrusted loan in the principal amount of RMB80 million to be provided by FNES to the Borrower through the Lending Bank pursuant to the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the entrusted loan agreement entered into among FNES, the Borrower and the Lending Bank in relation to the provision of the Entrusted Loan to the Borrower on 23 January 2017
“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), as the entrusted party and the lending agent under the Entrusted Loan Agreement, and is 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 55.80% 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
“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, 23 January 2017

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1:HK\$1.1. 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 Executive Directors are Mr. Ye Maixin (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.