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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 7 May 2021 (after the market close), certain indirect wholly-owned subsidiaries of the Company entered into the three non-recourse Factoring Agreements with Horizon Factoring, pursuant to which Horizon Factoring has agreed to provide accounts receivable factoring services in an aggregate principal sum of RMB49,334,388.14 (equivalent to approximately HK\$58,708,000) 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 7 May 2021 (after the market close), certain indirect wholly-owned subsidiaries of the Company entered into the three non-recourse Factoring Agreements with Horizon Factoring, pursuant to which Horizon Factoring has agreed to provide accounts receivable factoring services in an aggregate principal sum of RMB49,334,388.14 (equivalent to approximately HK\$58,708,000) 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	7 May 2021
Parties	(i) Horizon Factoring (as factor); (ii) Tycon Alloy (Shenzhen) (as seller); and (iii) FNE (Shenzhen) (as debtor)
Transfer of accounts receivable	Horizon Factoring has agreed to provide accounts receivable factoring services in the principal amount of RMB27,784,698.41 (equivalent to approximately HK\$33,064,000) to Tycon Alloy (Shenzhen) in accordance with the terms and conditions of the Factoring Agreement I
Type of financing	Non-recourse, i.e. if FNE (Shenzhen) fails to pay any amounts due to Horizon Factoring under the Factoring Agreement I owing to credit reasons, Horizon Factoring 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 I
Handling fee I	RMB30,000 (equivalent to approximately HK\$35,700) payable by FNE (Shenzhen) to Horizon Factoring within 3 working days after the signing of the Factoring Agreement I

Handling fee II	RMB1,844,209.36 (equivalent to approximately HK\$2,195,000) which is calculated at the interest rate of 5.9% per annum on the outstanding factoring principal amount and shall be payable by FNE (Shenzhen) to Horizon Factoring by 8 quarterly instalments
Repayment of the factoring principal amount	RMB27,784,698.41 (equivalent to approximately HK\$33,064,000) repayable by FNE (Shenzhen) to Horizon Factoring by 8 equal quarterly instalments of RMB3,473,087.30 (equivalent to approximately HK\$4,133,000)
Guarantors	FNE (Guangdong), FNE (Shenzhen), MF (Zhongshan) and Tycon Alloy (Zhongshan)

(2) Factoring Agreement II

Date of agreement	7 May 2021
Parties	(i) Horizon Factoring (as factor); (ii) Tycon Alloy (Zhongshan) (as seller); and (iii) Tycon Alloy (Shenzhen) (as debtor)
Transfer of accounts receivable	Horizon Factoring has agreed to provide accounts receivable factoring services in the principal amount of RMB13,927,668.90 (equivalent to approximately HK\$16,574,000) to Tycon Alloy (Zhongshan) in accordance with the terms and conditions of the Factoring Agreement II
Type of financing	Non-recourse, i.e. if Tycon Alloy (Shenzhen) fails to pay any amounts due to Horizon Factoring under the Factoring Agreement II owing to credit reasons, Horizon Factoring has no right to claim any outstanding amount from Tycon Alloy (Zhongshan)

Financing term	2 years from the date of signing of the Factoring Agreement II
Handling fee I	RMB30,000 (equivalent to approximately HK\$35,700) payable by Tycon Alloy (Zhongshan) to Horizon Factoring within 3 working days after the signing of the Factoring Agreement II
Handling fee II	RMB924,449.04 (equivalent to approximately HK\$1,100,000) which is calculated at the interest rate of 5.9% per annum on the outstanding factoring principal amount and shall be payable by Tycon Alloy (Shenzhen) to Horizon Factoring by 8 quarterly instalments
Repayment of the factoring principal amount	RMB13,927,668.90 (equivalent to approximately HK\$16,574,000) repayable by Tycon Alloy (Shenzhen) to Horizon Factoring by 8 equal quarterly instalments of RMB1,740,958.61 (equivalent to approximately HK\$2,072,000).
Guarantors	FNE (Guangdong), FNE (Shenzhen), MF (Zhongshan) and Tycon Alloy (Shenzhen)

(3) Factoring Agreement III

Date of agreement	7 May 2021
Parties	(i) Horizon Factoring (as factor); (ii) FNE (Shenzhen) (as seller); and (iii) FNE (Guangdong) (as debtor)
Transfer of accounts receivable	Horizon Factoring has agreed to provide accounts receivable factoring services in the principal amount of RMB7,622,020.83 (equivalent to approximately HK\$9,070,000) to FNE (Shenzhen) 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 Horizon Factoring under the Factoring Agreement III owing to credit reasons, Horizon Factoring has no right to claim any outstanding amount from FNE (Shenzhen)
Financing term	2 years from the date of signing of the Factoring Agreement III
Handling fee I	RMB20,000 (equivalent to approximately HK\$23,800) payable by FNE (Guangdong) to Horizon Factoring within 3 working days after the signing of the Factoring Agreement III
Handling fee II	RMB505,911.63 (equivalent to approximately HK\$602,000) which is calculated at the interest rate of 5.9% per annum on the outstanding factoring principal amount and shall be payable by FNE (Guangdong) to Horizon Factoring by 8 quarterly instalments
Repayment of the factoring principal amount	RMB7,622,020.83 (equivalent to approximately HK\$9,070,000) repayable by FNE (Guangdong) to Horizon Factoring by 8 equal quarterly instalments of RMB952,752.60 (equivalent to approximately HK\$1,134,000).
Guarantors	FNE (Guangdong), MF (Zhongshan), Tycon Alloy (Shenzhen) and Tycon Alloy (Zhongshan)

Guarantee

Each of the guarantors shall provide a joint and several irrevocable guarantee in favour of Horizon Factoring in respect of the outstanding factoring principal amount, handling fees and default payment payable by the debtor to Horizon Factoring 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 Horizon Factoring is untrue in terms of validity, authenticity and completeness;
- (2) the accounts receivable transferred to Horizon Factoring are not transferable;
- (3) the seller has commercial dispute with the debtor in respect of the underlying sales contracts.

If an event of default has occurred, Horizon Factoring 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 Horizon Factoring in one lump sum.

III. 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, trading of stainless steel supplies as well as the manufacture and sale of stainless steel casting products.

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 machinery.

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.

IV. INFORMATION ABOUT HORIZON FACTORING

Horizon Factoring is an indirect wholly-owned subsidiary of Far East Horizon Limited, which is a company incorporated in Hong Kong with its issued shares listed on the main board of the Stock Exchange (stock code: 3360). Horizon Factoring is a company established in the PRC with limited liability, which is principally engaged in the provision of accounts receivable financing services in the PRC. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, Horizon Factoring, Far East Horizon Limited and their ultimate beneficial owners are all independent third parties of the Company and its connected persons.

V. 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 and reduce funds occupied by accounts receivable; and on the other hand, further expand the financing channels of the Group, which is beneficial to the development of the Group.

The terms of the Factoring Agreements were arrived at by the parties thereto after arm's length negotiations. 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
“Directors”	The directors of the Company
“Factoring Agreements”	Collectively, Factoring Agreement I, Factoring Agreement II and Factoring Agreement III
“Factoring Agreement I”	the factoring agreement dated 7 May 2021 entered into among Horizon Factoring, Tycon Alloy (Shenzhen) and FNE (Shenzhen) in respect of the accounts receivable factoring services
“Factoring Agreement II”	the factoring agreement dated 7 May 2021 entered into among Horizon Factoring, Tycon Alloy (Zhongshan) and Tycon Alloy (Shenzhen) in respect of the accounts receivable factoring services
“Factoring Agreement III”	the factoring agreement dated 7 May 2021 entered into among Horizon Factoring, 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
“Horizon Factoring”	遠宏商業保理(天津)有限公司 (Horizon Commercial Factoring (Tianjin) Co., Ltd.*), a limited liability company established in the PRC
“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\$1.19 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, 7 May 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.