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**中国恒天集团有限公司**  
CHINA HI-TECH GROUP CORPORATION

**CHINA HENGtian GROUP CO., LTD.**  
(Incorporated in the People's Republic of China  
with limited liability)



立信工業有限公司\*

**FONG'S INDUSTRIES COMPANY LIMITED**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 641)

### JOINT ANNOUNCEMENT

**(1) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY  
CITIGROUP GLOBAL MARKETS ASIA LIMITED ON BEHALF OF  
CHINA HENGtian GROUP CO., LTD.**

**TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF  
FONG'S INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY CHINA HENGtian GROUP CO., LTD. OR PARTIES ACTING IN  
CONCERT WITH IT (OTHER THAN MR. FONG SOU LAM))**

**AND**

**(2) RESUMPTION OF TRADING IN THE SHARES OF  
FONG'S INDUSTRIES COMPANY LIMITED**

**Financial Adviser to China Hengtian  
Group Co., Ltd.**



**Financial Adviser to Mr. Fong Sou Lam**



### **THE ACQUISITION**

On 7 January 2011, the Offeror and Mr. Fong, the Chairman and the controlling shareholder of the Company, entered into the Sale and Purchase Agreement pursuant to which the Offeror agreed to acquire, and Mr. Fong agreed to sell the Sale Shares, representing approximately 37.7% of the issued share capital of the Company as at the date of this announcement, for a cash consideration of HK\$1,039,476,250 (equivalent to HK\$5 per Sale Share). The consideration was agreed between the Offeror and Mr. Fong after arm's length negotiations with reference to the prevailing market prices of the Shares. Completion of the Acquisition is conditional upon the fulfilment of the Condition.

### **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

As at the date of this announcement, Mr. Fong beneficially owns an aggregate of 329,847,360 Shares, representing approximately 59.8% of the issued share capital of the Company as at the

date of this announcement, while the Offeror and parties acting in concert with it (other than Mr. Fong) do not own any Shares as at the date of this announcement. On Completion, Mr. Fong will beneficially own 121,952,110 Shares, representing approximately 22.1% of the issued share capital of the Company as at the date of this announcement, and the Offeror will beneficially own 207,895,250 Shares, representing approximately 37.7% of the issued share capital of the Company as at the date of this announcement.

Mr. Fong is a person acting in concert with the Offeror by virtue of the undertakings given by him in the Irrevocable Undertaking. Accordingly, on Completion, the Offeror and the persons acting in concert with it (including Mr. Fong) will own an aggregate of 329,847,360 Shares, representing approximately 59.8% of the issued share capital of the Company as at the date of this announcement.

In accordance with Rule 26.1 of the Takeovers Code, on Completion, the Offeror will be required to make an unconditional mandatory cash offer for all the Shares in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it (other than Mr. Fong).

The Offer will be made by Citigroup, financial adviser to the Offeror, on behalf of the Offeror in compliance with the Takeovers Code.

The Offer Price will be HK\$5 per Offer Share and is equal to the price payable by the Offeror for each Sale Share pursuant to the Sale and Purchase Agreement.

#### **THE IRREVOCABLE UNDERTAKING**

Mr. Fong has given the Irrevocable Undertaking to the Offeror pursuant to which he has irrevocably undertaken that:

- (a) if, immediately prior to the close of the Offer, the Offeror receives valid acceptances of the Offer which together with the Shares owned by the Offeror and parties acting in concert with it (other than Mr. Fong) result in the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing less than 55% of the issued share capital of the Company as at the closing date of the Offer, he will, and will cause the registered holder(s) to, accept the Offer in respect of such number of Shares beneficially owned by him which will, upon the close of the Offer, result in the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing 55% of the issued share capital of the Company as at the closing date of the Offer. For the avoidance of doubt, he will not, and will cause the registered holder(s) not to, accept the Offer in respect of any of the Shares beneficially owned by him to the extent that immediately prior to the close of the Offer, the Offeror receives valid acceptances of the Offer which together with the Shares owned by the Offeror and parties acting in concert with it (other than Mr. Fong) result in the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing not less than 55% of the issued share capital of the Company as at the closing date of the Offer; and
- (b) in the event that the Shares held by the public following the close of the Offer is less than the minimum public float requirement under the Listing Rules, in order to satisfy the minimum public float requirement, he will, and will cause the registered holder(s), as soon as practicable following the close of the Offer, to dispose of such number of additional Shares beneficially owned by him representing half of such number of Shares required to be disposed of in order to satisfy the minimum public float requirement (“*X Shares*”) provided that the Offeror will then dispose of, or

procure the disposal of, the same number of Shares owned by it and parties acting in concert with it (other than Mr. Fong) (that is, X Shares) for the restoration of the public float of the Company.

Mr. Fong has also irrevocably undertaken to the Offeror that before the Offer closes, lapses or is withdrawn or until the Irrevocable Undertaking lapses in accordance with its terms, he will not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any Sale Shares or any other Shares issued or unconditionally allotted to, or otherwise acquired by, him, other than pursuant to the Acquisition or pursuant to the acceptance of the Offer in accordance with the Irrevocable Undertaking.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 10 January 2011 pending the publication of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 17 January 2011.

**WARNING: The Offer is a possibility only. Completion is conditional upon the fulfilment of the Condition and the Offer will only be made if Completion takes place. Accordingly, the Acquisition may or may not be completed and the Offer may or may not be made. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **1. THE ACQUISITION**

### **Sale and Purchase Agreement**

On 7 January 2011, the Offeror and Mr. Fong, the Chairman and the controlling shareholder of the Company, entered into the Sale and Purchase Agreement pursuant to which the Offeror agreed to acquire, and Mr. Fong agreed to sell the Sale Shares, representing approximately 37.7% of the issued share capital of the Company as at the date of this announcement, for a cash consideration of HK\$1,039,476,250 (equivalent to HK\$5 per Sale Share), with all rights attaching to them on and after Completion, including the right to receive all dividends and distributions declared, made or paid in respect of the Sales Shares on or after Completion, save for any special dividend declared, made or paid by the Company after the date of the Sale and Purchase Agreement in respect of the year ended 31 December 2010, the aggregate amount of such special dividend not exceeding HK\$0.20 per Share. The consideration was agreed between the Offeror and Mr. Fong after arm's length negotiations with reference to the prevailing market prices of the Shares.

### **Condition to Completion**

Completion of the Acquisition is conditional upon the Offeror having obtained all necessary authorisations, approvals and consents of any governmental or regulatory authorities in the PRC in relation to the Acquisition and the Offer (including its implementation), including the approval of the Ministry of Commerce and the National Development and Reform Commission in relation to the Acquisition and the approval of the State Administration of Foreign Exchange in relation to the conversion of Renminbi into Hong Kong dollars for the payment of the total Offer

Price, and such authorisations, approvals and consents remaining in full force and effect pursuant to the provisions of any laws or regulations in the PRC (the “**Condition**”). The Condition cannot be waived.

If the Condition is not fulfilled on or before the Long-Stop Date, the Sale and Purchase Agreement will automatically terminate and neither the Offeror nor Mr. Fong will be obliged to complete the Acquisition.

### **Completion**

Subject to the fulfilment of the Condition, Completion will take place five days following the fulfilment of the Condition. An announcement will be made immediately upon Completion having taken place.

## **2. POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

### **Possible Offer for the Offer Shares**

As at the date of this announcement, Mr. Fong beneficially owns an aggregate of 329,847,360 Shares, representing approximately 59.8% of the issued share capital of the Company as at the date of this announcement, while the Offeror and parties acting in concert with it (other than Mr. Fong) do not own any Shares. On Completion, Mr. Fong will beneficially own 121,952,110 Shares, representing approximately 22.1% of the issued share capital of the Company as at the date of this announcement, and the Offeror will beneficially own 207,895,250 Shares, representing approximately 37.7% of the issued share capital of the Company as at the date of this announcement.

Mr. Fong is a person acting in concert with the Offeror by virtue of the undertakings given by him in the Irrevocable Undertaking. Accordingly, on Completion, the Offeror and the persons acting in concert with it (including Mr. Fong) will own an aggregate of 329,847,360 Shares, representing approximately 59.8% of the issued share capital of the Company as at the date of this announcement.

In accordance with Rule 26.1 of the Takeovers Code, on Completion, the Offeror will be required to make an unconditional mandatory cash offer for all the Shares in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it (other than Mr. Fong).

The Offer will be made by Citigroup, financial adviser to the Offeror, on behalf of the Offeror in compliance with the Takeovers Code.

The Offer Price will be as follows:

**For each Offer Share ..... HK\$5 in cash**

The Offer Price is equal to the price payable by the Offeror for each Sale Share pursuant to the Sale and Purchase Agreement.

On the basis of 551,446,285 Shares in issue as at the date of this announcement and the Offer Price of HK\$5 per Offer Share, the entire issued share capital of the Company is valued at HK\$2,757,231,425.

The Offer, if and when made, will be unconditional in all respects.

**WARNING: The Offer is a possibility only. Completion is conditional upon the fulfilment of the Condition and the Offer will only be made if Completion takes place. Accordingly, the Acquisition may or may not be completed and the Offer may or may not be made. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### **Comparisons of Value**

The Offer Price of HK\$5 per Offer Share represents:

- (a) a discount of approximately 5% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 0% to the average closing price of HK\$5.02 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date;
- (c) a premium of approximately 9% to the average closing price of HK\$4.58 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date; and
- (d) a premium of 247% over the audited consolidated net assets value attributable to the Shareholders per Share of HK\$1.44 as at 31 December 2009, the date on which the latest audited financial results of the Group were made up.

### **Highest and Lowest Prices**

During the six month period immediately preceding the date of this announcement, the highest closing price of the Shares was HK\$5.41 per Share as quoted on the Stock Exchange on 5 January 2011 and the lowest closing price of the Shares was HK\$3.29 per Share as quoted on the Stock Exchange on 3 August 2010.

### **Dealing and interests in the Company's securities**

Save as disclosed above, neither the Offeror nor any person acting in concert (other than Mr. Fong) with it owns or controls or has direction over any Shares or holds any options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

Neither the Offeror nor any person acting in concert with it has dealt in any Shares or any options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares during the period of six months up to and including the date of this announcement.

As at the date of this announcement, neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## **Confirmation of Financial Resources**

In light of the Irrevocable Undertaking given by Mr. Fong regarding the acceptance of the Offer in respect of the Shares beneficially owned by him and assuming full acceptance of the Offer in respect of the Offer Shares (other than the Shares beneficially owned by Mr. Fong), the maximum amount of cash payable by the Offeror to the Shareholders in respect of acceptances of the Offer is approximately HK\$1,107,994,625.

The Offeror will finance the cash consideration for the Offer partially by the Offeror's internal resources and partially by obtaining a HK\$1,750,000,000 term loan facility from China Construction Bank (Asia) Corporation Limited. This term loan facility will be supported by a standby letter of credit issued by China Construction Bank Corporation Limited, Beijing Branch. The term of the facility is 36 months from the initial drawdown of the loan or one calendar month prior to the expiry date of the aforementioned standby letter of credit.

Citigroup, as financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy full acceptance of the Offer as described above.

## **Effect of Accepting the Offer**

By accepting the Offer, Shareholders will sell to the Offeror the Offer Shares free from all liens, charges, options, claims, equity, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights attaching to them as at the date of Completion, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of Completion. The Offeror will nominate a wholly-owned subsidiary to hold the Offer Shares in respect of which acceptances of the Offer are received.

## **Stamp Duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by each accepting Shareholder at the rate of 0.1% of the consideration payable by the Offeror to such accepting Shareholder and will be deducted from the cash amount payable to such accepting Shareholder. The Offeror will pay the buyer's ad valorem stamp duty and will account to the Stamp Office of Hong Kong for the stamp duty payable on the sale and purchase of the relevant Offer Shares pursuant to acceptances of the Offer.

## **Payment**

Payment (after deducting the accepting Shareholders' share of stamp duty) in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within ten days of the receipt of duly completed acceptances. Relevant documents of title must be received by the Registrar to render each acceptance of the Offer complete and valid.

## **Other Arrangements**

As at the date of this announcement, (a) other than the Sale and Purchase Agreement and the Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Offer, (b) other than the Sale and Purchase Agreement, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer and (c) other than the Irrevocable Undertaking, neither the Offeror nor any person acting in concert with it has received an irrevocable commitment to accept the Offer.

## **Despatch of the Composite Document**

It is the intention of the respective boards of the Offeror and the Company to combine the offer document and the offeree board circular in a composite document. Pursuant to Rule 8.2 of the Takeovers Code, the composite document is normally expected to be despatched within 21 days of the date of this announcement. If the Condition cannot be fulfilled within 21 days of the date of this announcement, the Offeror will make an application for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the composite document to the Shareholders to within seven days after Completion.

## **Proposed Special Dividend**

The Board will convene a further Board meeting to consider the declaration of a special dividend, the aggregate amount of which will not exceed HK\$0.20 per Share. The special dividend is to be paid to all entitled Shareholders whose names are on the Company's register of members on the record date (to be fixed at a day before Completion and the Offer) whereas the actual payment date of the special dividend may be on a date before or after Completion. As the declaration and payment of a special dividend prior to Completion may be considered a frustrating action under Rule 4 of the Takeovers Code, an application was made by the Company to the Executive on 11 January 2011 to seek a waiver from the Executive from the requirement to obtain approval from the Company's Shareholders for the declaration and payment of the special dividend prior to Completion. Further information on the proposed special dividend will be announced by the Company in due course. The Offer, if and when made, will be for all the Shares in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it (other than Mr. Fong), exclusive of the special dividend.

## **3. THE IRREVOCABLE UNDERTAKING**

Mr. Fong has given the Irrevocable Undertaking to the Offeror pursuant to which he has irrevocably undertaken that:

- (a) if, immediately prior to the close of the Offer, the Offeror receives valid acceptances of the Offer which together with the Shares owned by the Offeror and parties acting in concert with it (other than Mr. Fong) result in

the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing less than 55% of the issued share capital of the Company as at the closing date of the Offer, he will, and will cause the registered holder(s) to, accept the Offer in respect of such number of Shares beneficially owned by him which will, upon the close of the Offer, result in the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing 55% of the issued share capital of the Company as at the closing date of the Offer. For the avoidance of doubt, he will not, and will cause the registered holder(s) not to, accept the Offer in respect of any of the Shares beneficially owned by him to the extent that immediately prior to the close of the Offer, the Offeror receives valid acceptances of the Offer which together with the Shares owned by the Offeror and parties acting in concert with it (other than Mr. Fong) result in the Offeror and parties acting in concert with it (other than Mr. Fong) owning Shares representing not less than 55% of the issued share capital of the Company as at the closing date of the Offer; and

- (b) in the event that the Shares held by the public following the close of the Offer is less than the minimum public float requirement under the Listing Rules, in order to satisfy the minimum public float requirement, he will, and will cause the registered holder(s), as soon as practicable following the close of the Offer, to dispose of such number of additional Shares beneficially owned by him representing half of such number of Shares required to be disposed of in order to satisfy the minimum public float requirement (“X Shares”) provided that the Offeror will then dispose of, or procure the disposal of, the same number of Shares owned by it and parties acting in concert with it (other than Mr. Fong) (that is, X Shares) for the restoration of the public float of the Company.

Mr. Fong has also irrevocably undertaken to the Offeror that before the Offer closes, lapses or is withdrawn or until the Irrevocable Undertaking lapses in accordance with its terms, he will not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any Sale Shares or any other Shares issued or unconditionally allotted to, or otherwise acquired by, him, other than pursuant to the Acquisition or pursuant to the acceptance of the Offer in accordance with the Irrevocable Undertaking as set out above in paragraphs 3(a) and 3(b).

The Irrevocable Undertaking will lapse if (A) the Offer lapses or is withdrawn or (B) the Offer is not made in any of the following circumstances: (i) the Executive consents to the Offeror not making the Offer, (ii) Completion does not occur in accordance with the terms of the Sale and Purchase Agreement, (iii) an event occurs which means that the Offeror is no longer required by the Takeovers Code to proceed with the Offer or (iv) the Offeror becomes aware that any condition of the Offer as set out in this announcement has become incapable of being fulfilled or (C) this announcement is not released by 21 January 2011 (or such other date as the Offeror and the Company may agree).

#### **4. SHAREHOLDING STRUCTURE OF THE GROUP**

The table below sets out the shareholding structure of the Company as at the date of this announcement and on Completion but before the Offer:

Shareholder	As at the date of this announcement		On Completion but before the Offer <sup>(2)</sup>	
	Number of Shares	% of issued share capital	Number of Shares	% of issued share capital
Offeror and the persons acting in concert with it (excluding Mr. Fong)	-	-	207,895,250	37.7%
Mr. Fong	329,847,360	59.8%	121,952,110	22.1%
<i>Sub-total</i>	<i>329,847,360</i>	<i>59.8%</i>	<i>329,847,360</i>	<i>59.8%</i>
Other Shareholders <sup>(1)</sup>	221,598,925	40.2%	221,598,925	40.2%
<b>Total</b>	<b>551,446,285</b>	<b>100.0%</b>	<b>551,446,285</b>	<b>100.0%</b>

**Notes:**

- (1) These include the Directors, being Mr. Wan Wai Yung, Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill, Mr. Tou Kit Vai and Ms. Poon Hang Sim, Blanche.
- (2) This assumes that there is no change in the issued share capital of the Company and no acquisitions or disposals of Shares by the other connected persons of the Company between the date of this announcement and the date of Completion.

## 5. INFORMATION ON THE COMPANY

### The Company

The Company was incorporated in Bermuda with limited liability on 11 January 1989 and its Shares have been listed on the Stock Exchange since 1990.

The Group is principally engaged in the design, manufacture and sale of dyeing and finishing machinery, the trading of stainless steel supplies and the manufacture and sale of stainless steel casting products.

As at the date of this announcement, there are 551,446,285 Shares in issue and there are no outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

## 6. INFORMATION ON THE OFFEROR

The Offeror is a major state-owned enterprise under the supervision and administration of, and is beneficially owned by, the State-Owned Assets Supervision and Administration Committee of the State Council of the PRC. The principal business activities of the Offeror and its subsidiaries include the following businesses, namely textile machinery, cargo truck, textile production and trade, and other strategic investments, among which the textile machinery business is one of the core sectors of the Offeror's businesses. Based on the audited consolidated financial statements of the Offeror for the year ended 31 December 2009, the total assets and net assets as at 31 December 2009 were RMB23.1 billion and RMB8.4 billion respectively and the total revenue of the Offeror was RMB16.1 billion. The Offeror holds an important position in the global textile machinery industry in the world. By comparing the Offeror's revenue figures in 2009 to the revenue figures obtained from the annual reports of other companies in the global textile industry, the Offeror believes it is one of the largest manufacturers of textile machinery in the world in terms of revenue in 2009. The Offeror has developed capacity to manufacture and supply full sets of cotton and chemical fibres machinery, has all along secured a majority share in the domestic market over the years, and also has considerable strength in the field of dyeing and finishing machinery. The Offeror and its

subsidiaries have established large-scale manufacturing bases in many places, such as Shanxi, Henan, Shandong and Hunan, and have comprehensive marketing networks in major markets such as Guangdong, Fujian, Zhejiang, Jiangsu, Shandong, and Xinjiang. The Offeror and its subsidiaries' products are exported to foreign countries and have significant market shares in Southeast Asia, South Asia, the Middle East, Latin America and other places. The Offeror's products are reputable among customers both at home and abroad. As a leading enterprise in the textile machinery industry in the PRC and even around the world, the Offeror makes every effort to continue developing its textile machinery business as a core strategy, to maintain and further enhance its global position in the industry, and to achieve sustainable business growth and ever-increasing profit.

## **7. REASONS FOR THE ACQUISITION AND THE OFFER**

The Offeror holds an important position in the global textile machinery industry in the world. By comparing the Offeror's revenue figures in 2009 to the revenue figures obtained from the annual reports of other companies in the global textile industry, the Offeror believes it is one of the largest manufacturers of textile machinery in the world in terms of revenue in 2009. The Acquisition therefore enables the Company to further enhance its market position and brand effect by offering strong support to the Company for its future development, facilitating the Company to achieve economies of scale and to further strengthening its competitiveness in the field of dyeing and finishing machinery.

Furthermore, the Acquisition also follows the current trend of the consolidation in the textile machinery industry, and is also in line with the Offeror's strategy to continuously expand and strengthen its textile machinery manufacturing operations.

Through the Acquisition, the Offeror will become one of the largest dyeing machinery players globally and a leader in the dyeing equipment technology worldwide. At the same time, the Offeror will also implement a coordinated development of its three major textile equipment businesses, namely the cotton and chemical fibres machinery and dyeing and finishing machinery. All of these may significantly improve the Offeror's competitiveness within the industry.

Specifically, the strategic significance of the Acquisition is reflected in the following aspects:

### **1 . Procurement of Raw Materials**

Given the Offeror's large textile machinery production capacity and the corresponding large scale of its raw material procurement, the Acquisition will generate economies of scale for the Company and bring about bargaining power to negotiate lower procurement costs. Additionally, becoming a larger and thus more important client to the suppliers means that in times of low supplies, the Company's supply of raw materials would be relatively secured.

At the same time, the Offeror may also introduce even more procurement channels to the Company and thereby further enhancing its procurement capabilities.

## **2. Sales Networks**

The Offeror has established a comprehensive marketing and service network in major cities such as Guangdong, Fujian, Zhejiang, Jiangsu, Shandong and Xinjiang. By exporting its products overseas, the Offeror has secured important market shares in the South East Asia, South Asia, Middle East and Latin America. The Acquisition may therefore enable the Company to expand its market coverage both within China and globally.

At the same time, due to the differences of the products of the Offeror and the Company, the Acquisition may enable the Offeror and the Company to provide a broader range of products for selection which may improve the competitiveness and corporate images of both the Offeror and the Company.

## **8. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP**

The Offeror intends to continue with the existing businesses of the Group. The Offeror does not intend to introduce any major changes to the businesses and operations of the Group or to redeploy the fixed assets of the Group. The Offeror also does not intend to make any major changes to the continued employment of the Group's employees.

Following Completion, the Offeror anticipates that changes will be made to the composition of the Board, which will be made in compliance with the Takeovers Code and the Listing Rules. A further announcement will be made upon any changes being made to the composition of the Board.

## **9. MAINTENANCE OF THE COMPANY'S LISTING STATUS**

It is the intention of the Offeror to maintain the listing of the Company on the Stock Exchange following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares or (b) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

In this connection, it should be noted that following the close of the Offer, there may be insufficient public float of the Shares and therefore, trading in the Shares may be suspended until sufficient public float exists in the Shares.

The directors of the Offeror and the new Directors to be nominated by the Offeror and appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

In addition, pursuant to the Irrevocable Undertaking, Mr. Fong has irrevocable undertaken to the Offeror that in the event that the Shares held by the public following the close of the Offer is less than the minimum public float requirement under the Listing Rules, in order to satisfy the minimum public float requirement, he will, and will cause the registered holder(s), as soon as practicable following the close

of the Offer to dispose of such number of additional Shares beneficially owned by him representing half of such number of Shares required to be disposed of in order to satisfy the minimum public float requirement (“**X Shares**”) provided that the Offeror will then dispose of, or procure the disposal of, the same number of Shares owned by it and parties acting in concert with it (other than Mr. Fong) (that is, X Shares) for the restoration of the public float of the Company.

## **10. GENERAL**

### **Independent Board Committee and Independent Financial Adviser**

In connection with the Offer and in accordance with the Takeovers Code, the Company has formed an independent board committee comprising Mr. Cheung Chiu Fan, Dr. Yuen Ming Fai and Dr. Keung Wing Ching, being all the independent non-executive Directors. The Company will appoint an independent financial adviser to advise on the terms of the Offer and will make a further announcement regarding such appointment in accordance with the Takeovers Code.

Shareholders are advised to take no action as regards the Offer until they have received the composite document which will contain, amongst others, the terms of the Offer and the advice of the independent board committee and the independent financial adviser.

### **Disclosure of Dealings**

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror (including persons who own or control 5% or more of any class of relevant securities) are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code.

Pursuant to Note 11 to Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that cooperation.

### **Availability of the Offer**

The Offeror intends to make the Offer available to all the Shareholders (other than the Offeror or parties acting in concert with it as stated herein), including those Shareholders with registered addresses outside Hong Kong. The availability of the

Offer to any persons not resident in Hong Kong may be affected by the applicable laws and regulations of the relevant jurisdictions. Any persons who are not resident in Hong Kong should inform themselves about and observe any applicable laws and regulations of their respective jurisdictions and where necessary seek legal advice. It is the responsibility of the overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.

## **11. RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 10 January 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 17 January 2011.

**WARNING: The Offer is a possibility only. Completion is conditional upon the fulfilment of the Condition and the Offer will only be made if Completion takes place. Accordingly, the Acquisition may or may not be completed and the Offer may or may not be made. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

## **12. DEFINITIONS**

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

<b>“Acquisition”</b>	the acquisition of the Sale Shares by the Offeror from Mr. Fong pursuant to the Sale and Purchase Agreement
<b>“acting in concert”</b>	has the meaning ascribed to it in the Takeovers Code
<b>“associate”</b>	has the meaning ascribed to it in the Takeovers Code
<b>“Board”</b>	the board of directors of the Company
<b>“Citigroup”</b>	Citigroup Global Markets Asia Limited, a licensed corporation under the SFC, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, and the financial adviser to the Offeror
<b>“Company”</b>	Fong’s Industries Company Limited, a limited liability company incorporated in Bermuda, whose Shares are listed on the Stock Exchange
<b>“Completion”</b>	the completion of the Acquisition

<b>“Condition”</b>	the condition to Completion set out in the section headed “The Acquisition – Condition to Completion”
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules
<b>“controlling shareholder”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Executive”</b>	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Irrevocable Undertaking”</b>	the Irrevocable Undertaking dated 7 January 2011 given by Mr. Fong to the Offeror
<b>“Last Trading Date”</b>	7 January 2011, being the last trading day prior to the suspension of trading in the Shares on 10 January 2011 pending the publication of this announcement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Long-Stop Date”</b>	7 May 2011, being the date falling four months from the date of the Sale and Purchase Agreement (or such later date as the Offeror and Mr. Fong may agree in writing)
<b>“Mr. Fong”</b>	Mr. Fong Sou Lam, the controlling shareholder of the Company as at the date of this announcement, a Director and chairman of the Company
<b>“Offer”</b>	the unconditional mandatory cash offer to be made by Citigroup on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code on Completion
<b>“Offer Price”</b>	the price of HK\$5 per Offer Share payable in cash by the Offeror on the terms of the Offer
<b>“Offer Shares”</b>	all the Shares in issue, other than those Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it (other than Mr. Fong)
<b>“Offeror”</b>	China Hengtian Group Co., Ltd., a PRC state-owned

	company
“PRC”	the People’s Republic of China
“Registrar”	Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 7 January 2011 entered into between the Offeror and Mr. Fong in relation to the Acquisition
“Sale Shares”	the 207,895,250 Shares to be acquired by the Offeror from Mr. Fong pursuant to the Sale and Purchase Agreement, representing approximately 37.7% of the issued share capital of the Company as at the date of this announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities

By Order of the Board  
**China Hengtian Group Co., Ltd.**  
 Zhang Jie  
 Chairman

By Order of the Board  
**Fong’s Industries Company Limited**  
 C.K. Lee  
 Company Secretary

Hong Kong, 14 January 2011

*As at the date of this announcement, the directors of the Offeror are Mr. Zhang Jie, Mr. Liu Haitao, Mr. Yang Yongyuan and Mr. Sun Lishi.*

*As at the date of this announcement, the Board comprises ten Directors, of which seven are executive Directors, namely. Mr. Fong (Chairman), Mr. Wan Wai Yung (Chief Executive Officer), Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill, Mr. Tou Kit Vai, Dr. Tsui Tak Ming, William and Ms Poon Hang Sim, Blanche, and three are independent non-executive Directors, namely, Mr. Cheung Chiu Fan, Dr. Yuen Ming Fai and Dr. Keung Wing Ching.*

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Directors relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than any information relating to the Offeror and its subsidiaries) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Offeror relating to the Offeror and its subsidiaries) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

*\* For identification purpose only*