

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **FONG'S INDUSTRIES COMPANY LIMITED**

**立信工業有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 641)

### **CONTINUING CONNECTED TRANSACTION**

On April 1, 2007, Tycon Alloy Industries (Hong Kong) Company, Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-exclusive agency agreement with PSP International Inc. in relation to agency and marketing activities for the sales of its products in the territories as specified therein.

PSP International Inc. is a corporation established in Charlotte N.C. USA and is beneficially owned as to 30% by Mr. Peter Rainer Philipp who was a former executive director of the Company within the preceding 12 months and is currently a director of certain operating subsidiaries of the Group. PSP International Inc. is therefore an associate of Mr. Peter Rainer Philipp and hence, a connected person of the Company under the Listing Rules. Accordingly, the agency agreement entered into with PSP International Inc. constitutes a continuing connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios for the continuing connected transaction on an annual basis are less than 2.5% and the aggregate annual amount is less than HK\$10 million, the continuing connected transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the continuing connected transaction will be included in the Company's next published annual report and accounts in compliance with Rules 14A.45 and 14A.46 of the Listing Rules.

### **CONTINUING CONNECTED TRANSACTION**

The Board of Directors (the "Board") of Fong's Industries Company Limited (the "Company" together with its subsidiaries referred to as the "Group") would like to announce that on April 1, 2007, Tycon Alloy Industries (Hong Kong) Company, Limited ("Tycon"), an indirect wholly-owned subsidiary of the Company, entered into a non-exclusive agency agreement (the "Agency Agreement") with PSP International Inc. in relation to agency and marketing activities for the sales of its products in the territories as specified therein.

PSP International Inc. is a corporation established in Charlotte N.C. USA and is beneficially owned as to 30% by Mr. Peter Rainer Philipp (“Mr. Peter Philipp”) who was a former executive director of the Company in the preceding 12 months and is currently a director of certain operating subsidiaries of the Group, but not a director of Tycon. PSP International Inc. is therefore an associate of Mr. Peter Philipp and hence, a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Accordingly, the Agency Agreement constitutes a continuing connected transaction (the “Continuing Connected Transaction”) of the Company under the Listing Rules.

#### **TERMS OF THE AGENCY AGREEMENT DATED APRIL 1, 2007**

Pursuant to the Agency Agreement, PSP International Inc. has been appointed as a non-exclusive sales agent for a term of three years commencing from April 1, 2007 unless early termination by either party serving not less than three months’ prior written notice to the other party. PSP International Inc. shall be responsible for, among other things, promoting by itself or through its appointed regional sales agents, the sales and marketing activities and pursuing sales coordination and sales management in respect of the products of Tycon in the U.S.A., Canada and Mexico.

Under the Agency Agreement, PSP International Inc. is entitled to a monthly retainer fee and sales commission at the market rate of a prescribed percentage of the net sales proceeds of the sales contracts solicited or procured by PSP International Inc. as specified therein.

#### **RELATIONSHIP BETWEEN THE PARTIES**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies and manufacture and sale of stainless steel casting products. Tycon is specifically engaged in the manufacture and sale of stainless steel casting products.

PSP International Inc. was incorporated on November 7, 2006 by Mr. Peter Philipp and his business associates who were third parties independent of the Company and were not connected persons (as defined under the Listing Rules) of the Group. Mr. Peter Philipp and his business associates have extensive business experience and expertise in international sales and marketing of textile machinery and related industrial products and maintain an excellent reputation and sales network in the manufacturing industry in the Americas and in Europe.

#### **REASONS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTION**

The Continuing Connected Transaction has been entered into in the ordinary course of business of Tycon and it is believed that through such agency arrangements, it will enable Tycon to further expand its sales networks and to enhance its position as one of the leading providers of quality stainless steel casting products in the manufacturing industry in the Latin American and North American markets.

The Directors of the Company (including the Independent Non-Executive Directors of the Company) are of the opinion that the Continuing Connected Transaction has been entered into in the usual and ordinary course of business of Tycon and the terms of the Agency Agreement have been negotiated and will be conducted on an arm’s length basis and on normal commercial terms. The Continuing Connected Transaction and the terms thereof are fair and reasonable and in the best interests of the Group and the shareholders of the Company as a whole.

## **AGGREGATE ANNUAL CAP**

The Directors anticipate that the aggregate annual amount of the sales commission and other payables under the Continuing Connected Transaction for each of the three financial years ending December 31, 2009 will not exceed HK\$10 million. The basis of the cap amount is determined with reference to: (i) the historical figures of the sales of Tycon's products in the Latin American and North American markets and (ii) the anticipated business growth in the next three years due to the increasing demand for quality stainless steel casting products as a whole in the Latin American and North American markets in view of the recovery of the world economy. The Directors consider that the Annual Cap deems reasonable.

## **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios for the Continuing Connected Transaction on an annual basis are less than 2.5% and the aggregate annual amount payable under the Continuing Connected Transaction is less than HK\$10 million, the Continuing Connected Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Continuing Connected Transaction will be included in the Company's next published annual report and accounts in compliance with Rules 14A.45 and 14A.46 of the Listing Rules.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate annual amount of the Continuing Connected Transaction exceeds the de minimis thresholds under Rule 14A.34 of the Listing Rules during each of the three years ending December 31, 2009, or when the Continuing Connected Transaction is renewed or there are material changes to the terms of the Continuing Connected Transaction. The Company will also comply with the requirements under Rule 14A.37 to Rule 14A.41 of the Listing Rules in relation to the Continuing Connected Transaction during each of the three years ending December 31, 2009.

On behalf of the Board

**Fong Sou Lam**

*Chairman*

Hong Kong, April 2, 2007.

*As at the date of this announcement, the Executive Directors are Mr. Fong Sou Lam, Mr. Wan Wai Yung, Mr. Fong Kwok Leung, Kevin, Mr. Fong Kwok Chung, Bill, Mr. Tsui Wai Keung, Dr. Tsui Tak Ming, William, Ms. Poon Hang Sim, Blanche and Mr. Tou Kit Vai; the Independent Non-Executive Directors are Mr. Cheung Chiu Fan, Dr. Yuen Ming Fai and Dr. Keung Wing Ching.*

\* *For identification only*

Please also refer to the published version of this announcement in The Standard.