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# FONG'S INDUSTRIES COMPANY LIMITED

# 立信工業有限公司\*

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)

# DISCLOSEABLE TRANSACTION ACQUISITION OF LAND IN THE PRC

The Board is pleased to announce that Fong's China Investment (B.V.I.) Company Limited, an indirect wholly-owned subsidiary of the Company, entered into the Land-use Rights Transfer Contract on 16 May, 2007 to acquire the Land-use Rights of the Land at an aggregate consideration of approximately RMB320,000,000.

The Acquisition constituted a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules. A circular containing, among others, further information in respect of the Acquisition as required under the Listing Rules will be dispatched to the shareholders of the Company as soon as practicable and within 21 days from the day of publication of this announcement.

## LAND-USE RIGHTS TRANSFER CONTRACT

**Date:** 16 May, 2007

Vendor: 中山火炬開發區臨海工業園開發有限公司(Zhongshan Torch Hi-tech Zone Linhai

Industrial Park Development Company Limited)

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, the Vendor and its beneficial owners are

**Independent Third Parties** 

**Purchaser:** Fong's China Investment (B.V.I.) Company Limited

**The Land:** a parcel of land with an aggregate area of approximately 1,250 mu (approximately

833,337.5 square metres) located at Zhongshan Torch Hi-tech Industrial Development

Zone Linhai Industrial Park in Zhongshan, Kwangtung Provincial, PRC

#### **Payment Terms:**

The aggregate consideration for the Acquisition is approximately RMB320,000,000 and is payable by the Purchaser in the following manners:

(a) RMB16,000,000, representing 5% of the Consideration, as initial deposit ("Deposit") shall be payable within 15 days upon signing of the Land-use Rights Transfer Contract; and

(b) upon Completion, the Purchaser shall pay RMB144,000,000 (together with the Deposit representing 50% of the Consideration) and deliver an irrevocable bank guarantee issued by a State-controlled bank in the PRC in respect of the remaining 50% of the Consideration. The Purchaser shall discharge the bank guarantee by ten equal instalments, commencing on the first anniversary date of Completion and ending on the tenth anniversary date of Completion.

The Acquisition will be funded from internal resources, bank loans and proceeds from the Zero Coupon Convertible Bonds of the Group.

The Consideration was arrived at after arms' length negotiation with the Vendor. No valuation report has been obtained in respect of the Land; however, the Directors consider that the Consideration is fair and reasonable by reference to the market prices of similar properties in the surrounding areas of the Land judged on the basis of the industry experience of the Directors.

# **Completion:**

Completion of the Acquisition shall take place upon receipt by the Purchaser of (i) all land use rights certificates in respect of the Land, (ii) 建設用地許可證 (construction land use permit) in respect of the Land; and (iii) official receipt issued by 國土資源局 (National Land Bureau) in respect of the total land premium paid for the Land-use Rights.

According to the terms of the Land-use Rights Transfer Contract, the Vendor shall be responsible for all relevant registration procedures with 國土資源局 (National Land Bureau) in order to ensure that land use rights certificates for an area of approximately 576 mu of the Land shall be obtained no later than 31 December 2007 and land use rights certificates for the remaining area of approximately 674 mu of the Land shall be obtained no later than 31 May 2008. No land use rights certificate in respect of the Land has been obtained by the Vendor as at the date of this announcement.

### REASONS OF THE ACQUISITION

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.

As production in the Group's existing production facilities located in Buji, Shenzhen, the PRC has reached its full capacity, the Group intends to use the Land for construction of a new manufacturing complex so as to expand its existing production capacity. However, since no land use rights certificate in respect of the Land has been obtained yet, the Purchaser has no capital commitment regarding the construction of the new manufacturing complex at the current stage.

The Directors (including the Independent Non-executive Directors) consider that the terms of the Acquisition under the Land-use Rights Transfer Contract are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company intends to, after Completion, increase its investment in Zhongshan, the PRC, up to a total investment of approximately RMB2 billion (including the Consideration). The Company will issue further announcement in accordance with the Listing Rules if and when any further investment materialises.

# **GENERAL**

The Acquisition constituted a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules. A circular containing, among others, further information in respect of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable and within 21 days from the day of publication of this announcement.

"Acquisition" acquisition of the Land-use Rights by the Purchaser;

"associate" has the meaning ascribed under the Listing Rules;

"Board" the board of Directors;

"Company" Fong's Industries Company Limited, a company incorporated in

Bermuda with limited liability, the shares of which are listed on the

Main Board of The Stock Exchange of Hong Kong Limited;

"Consideration" total consideration of approximately RMB320,000,000 payable by

the Purchaser for the Acquisition in accordance with the terms of the

Land-use Rights Transfer Contract;

"Directors" the directors of the Company;

"Group" the Company and its subsidiaries;

"Independent Third Parties" independent third parties not connected with the Directors, chief

executive or substantial shareholders of the Company or any of its

subsidiaries or their respective associates;

"Land-use Rights" the land use rights in respect of the Land for a term of 50 years;

the 土地使用權轉讓合同 (Land-use Rights Transfer Contract) dated "Land-use Rights Transfer Contract"

16 May, 2007 entered into between the Vendor and the Purchaser in

relation to the Acquisition;

"Listing Rules" the Rules Governing the Listing of Securities on The Stock

Exchange of Hong Kong Limited;

"PRC" the People's Republic of China;

"Purchaser" Fong's China Investment (B.V.I.) Company Limited, a company

incorporated in the British Virgin Islands and indirectly wholly

owned by the Company;

"RMB" Renminibi, the lawful currency of the PRC;

"State" The Central Government of the PRC and all provincial, municipal

and other regional or local government entities;

中山火炬開發區臨海工業園開發有限公司(Zhongshan Torch Hi-"Vendor"

> tech Zone Linhai Industrial Park Development Company Limited), a PRC company wholly owned by 中山火炬高技術產業開發區管理 委員會(Zhongshan Torch Hi-tech Industrial Development Zone

Management Committee); and

"Zero Coupon the zero coupon convertible bonds due 2011 in an aggregate Convertible Bonds"

principal amount of HK\$800,000,000 issued by the Company pursuant to a subscription agreement dated 19 April 2006 as

announced by the Company on 19 April 2006.

Unless otherwise specified, the RMB amount shown in this announcement have been translated into HK\$ at an exchange rate of HK\$110=RMB100 for indication purposes only.

> On behalf of the Board Fong Sou Lam Chairman

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.