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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)

CONTINUING CONNECTED TRANSACTIONS

On 30 June, 2008, Fong's (BVI) entered into a project management agreement with PSP whereby Fong's (BVI) has appointed PSP as the project manager to provide sales coordination and liaison services in relation to the Project for a term of three years from 30 June, 2008 to 29 June, 2011.

PSP is a corporation established in Charlotte N.C., USA and is beneficially owned as to 51% by Mr. Peter Rainer Philipp who is currently a director of certain operating subsidiaries of the Company. PSP is therefore an associate of Mr. Peter Rainer Philipp and hence, a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Project Management Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios of the estimated maximum annual amount payable by the Group for each of the financial years during the term of the Project Management Agreement shall be less than 2.5%, transactions under the Project Management Agreement are subject to reporting and announcement requirements under Rule 14A.34 and Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules, but are exempt from individual shareholders' approval requirements.

The Directors (including the Independent Non-executive Directors) of the Company confirm that the terms and conditions of the Project Management Agreement are in the ordinary course of business of the Group, on normal commercial terms, and were negotiated on an arm's length basis and are fair and reasonable and in the interests of the Company and its shareholders.

BACKGROUND

The Directors of Fong's Industries Company Limited (the "Company", together with its subsidiaries, the "Group") would like to announce that in its ordinary and usual course of business, the Group, through one of its wholly-owned subsidiary, is in the course of negotiating a framework contract with a new potential customer in relation to the provision of dyeing machines to be installed in the PRC (the "Project").

The Directors of the Company confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, the said new potential customer is an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

On 30 June, 2008, Fong's National Engineering (B.V.I.) Company Limited ("Fong's (BVI)"), a wholly-owned subsidiary of the Company entered into a project management agreement (the "Project Management Agreement") with PSP Marketing Inc. ("PSP") whereby Fong's (BVI) has appointed PSP as the project manager to provide sales coordination and liaison services in relation to the Project for a term of three years from 30 June, 2008 to 29 June, 2011.

THE PROJECT MANAGEMENT AGREEMENT DATED 30 JUNE, 2008

1. Parties

Fong's National Engineering (B.V.I.) Company Limited, a wholly-owned subsidiary of the Company.

PSP Marketing Inc., as the Project Manager

2. Major Terms of the Project Management Agreement

Pursuant to the Project Management Agreement, PSP has been appointed as the Project Manager and will be responsible for, among other things, assisting the Group to secure and oversee the whole arrangement of the Project, and continuously monitoring the progress of the Project until completion. In consideration of the work involved, PSP will be entitled to a remuneration at the market rate of a prescribed percentage of the sales proceeds of the sale of the dyeing machines pursuant to the framework contract which is to be signed between the Group and the customer.

3. Annual Caps

In accordance with the tentative delivery and installation schedule of the Project, it is anticipated that the applicable percentage ratios (as defined in Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of the estimated maximum annual amount payable by the Group for each of the financial years during the term of the Project Management Agreement shall be less than 2.5% and the total remuneration to be paid by the Group to PSP during the term of the Project Management Agreement shall be less than HK\$7 million.

4. Directors' Confirmation

The Directors (including the Independent Non-executive Directors) of the Company confirm that the terms and conditions of the Project Management Agreement are in the ordinary course of business of the Group, on normal commercial terms, and were negotiated on an arm's length basis and are fair and reasonable and in the interests of the Company and its shareholders. The remuneration was arrived at after arm's length negotiation with due consideration to the market rate and the Project Manager's experience with similar projects.

CONNECTED RELATIONSHIP

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.

PSP is a corporation established in Charlotte N.C., USA and is beneficially owned as to 51% by Mr. Peter Rainer Philipp ("Mr. Philipp") who is currently a director of certain operating subsidiaries of the Company. PSP is therefore an associate of Mr. Philipp and hence, a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Project Management Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

REASONS FOR ENTERING INTO THE PROJECT MANAGEMENT AGREEMENT

PSP was founded in 1983 by Mr. Philipp and his business associates who were independent third parties, for the purpose of selling, marketing and servicing state-of-the-art textile machinery and related products to the North American textile industry. With over two decades of business experience and expertise in international sales and marketing of textile machinery, PSP maintains an excellent reputation and sales network in the industry. In addition, PSP has a close and prolonged business relationship with the said new potential customer, and has extensive experience with similar projects.

The Directors consider that the entering into the Project Management Agreement is in the interests of the Company and its shareholders as a whole. Leveraging on the expertise of PSP in dealing with customers, the participation of PSP in the contract negotiation in respect of the Project will help to secure the contract under the fierce market competition and to ensure the prompt and proper completion of the Project. It will also allow the Group to know the development progress of the Project in a timely manner.

The Directors consider that the success of the Project will enhance public recognition and the image and status of the Group's brand in the market and will induce more similar projects in the future.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the estimated maximum annual amount payable by the Group for each of the financial years during the term of the Project Management Agreement shall be less than 2.5%, transactions under the Project Management Agreement are subject to reporting and announcement requirements under Rule 14A.34 and Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 to 14A.41 of the Listing Rules, but are exempt from individual shareholders' approval requirements.

On behalf of the Board

Fong Sou Lam

Chairman

Hong Kong, 2 July, 2008.

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

* *For identification only*