

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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

BACKGROUND

Reference is made to the announcement of Fong's Industries Company Limited (the "Company"; together with its subsidiaries, the "Group") dated 2 April, 2007 (the "Announcement") in relation to the agency agreement dated 1 April, 2007 (the "Previous Agency Agreement") under which Tycon Alloy Industries (Hong Kong) Company, Limited ("Tycon"), a wholly-owned subsidiary of the Company, has appointed PSP International Inc. as a non-exclusive agent for the sales of stainless steel casting products in the U.S.A, Canada and Mexico for a period of three years commencing from 1 April, 2007. Unless the context requires otherwise, terms defined in the Announcement shall have the same meanings herein.

PSP International Inc. and Tycon have re-negotiated the monthly retainer fee and have entered into a new agency Agreement (the "New Agency Agreement") for a period of two years and eleven months commencing from 1 February, 2009 at a reduced monthly retainer fee. Accordingly, Tycon and PSP International Inc. have mutually agreed to terminate the Previous Agency Agreement with effect from 1 February, 2009 without any compensation.

NEW AGENCY AGREEMENT

Date: 1 February, 2009

Parties: (i) Tycon Alloy Industries (Hong Kong) Company, Limited, a wholly-owned subsidiary of the Company, as principal

(ii) PSP International Inc. as agent

Term: Two years and eleven months from 1 February, 2009 to 31 December, 2011 (both days inclusive) unless terminated by three months' prior written notice by either party to the other.

Services: 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 in respect of the stainless steel casting products manufactured and traded by Tycon in the U.S.A, Canada and Mexico.

Under the New Agency Agreement, PSP International Inc. shall be entitled to a monthly retainer fee and commissions at the market rate of a prescribed percentage of the net sales proceeds of the sales contracts solicited or procured by PSP International Inc.

REASONS FOR AGENCY AGREEMENT

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. is a corporation established in Charlotte N.C., USA by Mr. Peter Philipp and his business associates. 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.

PSP International Inc. is beneficially owned as to 30% by Mr. Peter Philipp who is currently a director of two subsidiaries of the Company, namely Xorella AG and Plexxor Co., Limited. PSP International Inc. is therefore an associate of Mr. Peter Philipp and hence, a connected person of the Company (as defined under the Listing Rules) and the New Agency Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The Directors (including the Independent Non-executive Directors) of the Company are of the opinion that the New Agency Agreement was entered into (i) in the ordinary and usual course of business of Tycon and (ii) on normal commercial terms after arm's length negotiations between the parties. They consider that the terms of the New Agency Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They also believe that through the New Agency Agreement, 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.

ANNUAL CAPS

The fee and commission paid to PSP International Inc. under the Previous Agency Agreement for the nine months ended 31 December, 2007 and for the year ended 31 December, 2008 were US\$180,000 and US\$240,000 respectively.

It is anticipated that the maximum caps in respect of the fee and commission payable to PSP International Inc. for each of the financial years during the term of the New Agency Agreement will not exceed the following amounts:

2009	HK\$1,500,000
2010	HK\$2,000,000
2011	HK\$3,500,000

Since the applicable percentage ratios in respect of the New Agency Agreement are less than 2.5%, the above continuing connected transaction is subject to reporting and announcement requirements but is exempt from independent shareholder's approval requirements under Chapter 14A of the Listing Rules. Particulars of the above continuing connected transaction will be disclosed in the annual report and accounts of the Company for each of the relevant financial years in accordance with Rule 14A.46 of the Listing Rules.

On behalf of the Board
Fong Sou Lam
Chairman

Hong Kong, 2 February, 2009.

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. 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*