

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)

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTION**

On 28 December, 2010, Fong's National Engineering Company, Limited, a wholly-owned subsidiary of the Company as tenant entered into the Tenancy Agreement with a company beneficially owned and controlled by Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, all being directors of the Company.

The Tenancy Agreement was agreed after arm's length negotiations and the monthly rental was determined by reference to an independent rental valuation.

Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, together with their associates, are interested in an aggregate of approximately 64.6% of the entire issued share capital of the Company as at the date hereof. The transaction contemplated under the Tenancy Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the annual rental payable by the Group under the Tenancy Agreement are more than 0.1% but less than 5%, the continuing connected transaction under the Tenancy Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirements under the Listing Rules.

## **CONTINUING CONNECTED TRANSACTION**

### **Tenancy Agreement dated 28 December, 2010 (the “Tenancy Agreement”)**

#### **Parties:**

Landlord: Sou Lam Company, Limited, its principal business activity is ownership of properties for letting.

Tenant : Fong’s National Engineering Company, Limited, a wholly-owned subsidiary of Fong’s Industries Company Limited (the “Company”; together with its subsidiaries, the “Group”).

#### **The Premises:**

Units Nos. 1, 2 and 3 on the Ground Floor, whole of the Second Floor, whole of the Sixth Floor, portions of the Seventh Floor and whole of the Eighth Floor (with flat roof and portion of top roof) of the factory building (the “Building”) situated at 22-28 Cheung Tat Road, Tsing Yi, Hong Kong, having a total gross floor area of approximately 103,800 square feet.

#### **Term:**

Three years commencing from 1 January, 2011 and ending on 31 December, 2013.

#### **Monthly rental:**

The monthly rental of HK\$658,538 (excluding rates, government rent, management charges and all outgoings) was determined by reference to an independent rental valuation dated 12 November, 2010 by Savills Valuation and Professional Services Limited, which is not a connected person of the Group, as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The independent rental valuation was prepared by reference to the open market rent of properties of comparable size and location.

The directors of the Company (including all the independent non-executive directors of the Company) who have participated in the approval of the Tenancy Agreement are of the opinion that the terms of the Tenancy Agreement were arrived at after arm’s length negotiations and are on normal commercial terms and are fair and reasonable, and the Tenancy Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole. As Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill have a material interest in the Tenancy Agreement, they have abstained from voting on the relevant resolution of the board of directors of the Company.

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

The existing two tenancy agreements dated 27 December, 2007 and 23 April, 2008 respectively entered into between the Landlord and Tenant in respect of certain premises in the Building with an aggregate floor area of approximately 113,800 square feet at a monthly rental of HK\$635,266 will expire on 31 December, 2010, details of which were included in the Company's press announcement dated 27 December, 2007 and Annual Report 2009.

In view of the expiry of the existing tenancy agreements, the Tenant has agreed to enter into the Tenancy Agreement in respect of the Premises with the Landlord. The Premises will be occupied and used by the Group for general office as well as industrial or godown purposes in the ordinary and usual course of business of the Group. The Tenancy Agreement is considered to be beneficial to the Group as it can avoid unnecessary disturbance to the daily business operations of the Group and save removal costs.

## **LISTING RULES IMPLICATIONS**

The Landlord is a company beneficially owned and controlled by Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, who are directors of the Company. Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, together with their associates, are interested in an aggregate of approximately 64.6% of the entire issued share capital of the Company as at the date hereof. The transaction contemplated under the Tenancy Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The annual rental payable during the term of the Tenancy Agreement is HK\$7,902,456. Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the annual rental payable by the Group under the Tenancy Agreement are more than 0.1% but less than 5%, the continuing connected transaction under the Tenancy Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirements under the Listing Rules. The Company will comply with the requirements under Rules 14A.37 to 14A.40 of the Listing Rules regarding the continuing connected transaction. Details of the Tenancy Agreement will be included 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.

## **GENERAL INFORMATION**

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

As at the date of this announcement, the executive directors of the Company are Mr. Fong Sou Lam (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; the independent non-executive directors of the Company are Mr. Cheung Chiu Fan, Dr. Yuen Ming Fai and Dr. Keung Wing Ching.

By order of the Board of Directors

**C.K. Lee**

Company Secretary

Hong Kong, 28 December, 2010.

*\*For identification purpose only*