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FONG'S INDUSTRIES COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

REALISATION OF 35 SHARES IN SUNSHINE CITY LIMITED AND ASSIGNMENT OF SHAREHOLDER'S LOAN

The Board announces that on 5th February 2001, the Vendor, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the Purchaser:

- (i) to sell the Vendor's 35 shares in Sunshine City; and
- (ii) to assign a shareholder's loan in the sum of US\$939,162.50 owing by Sunshine City to the Vendor

for a total consideration of US\$18,301,158, through repayment of shareholder's loan from Sunshine City to the Vendor, and the assignment of the land use rights to the Vendor. Such land use rights are in respect of office premises of an area of not less than 200 square metres above the 4th Floor in Central Plaza (中環廣場) at 中國北京宣武區棗林前街 92 號.

The Realisation constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further information on the Realisation will be sent to the shareholders of the Company as soon as practicable.

Information on Sunshine City

Sunshine City was incorporated in the British Virgin Islands, with an authorized capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, out of which 100 shares have been issued and fully paid up. The Vendor beneficially owns and holds 35 of such shares. Sunshine City is an investment holding company, which holds 52% interest in Rong Jin, a sino-foreign co-operative joint venture company established in PRC, an independent third party which is not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). The remaining 48% interest in Rong Jin is held by a PRC entity, an independent third party which is not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

The Purchaser is a company incorporated under the laws of the British Virgin Islands, which is an independent third party which is not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). The Purchaser has on 5th February 2001 (excluding the 35 shares of the Vendor in Sunshine City) acquired a majority interest in the issued share capital of Sunshine City from other shareholders of Sunshine City. The Purchaser is hence the majority shareholder of Sunshine City. The Purchaser is not a shareholder of Sunshine City before 5th February 2001.

Rong Jin's only business is in the acquisition of land and construction of the building called 北京國際金融中心 at 中國北京宣武區棗林前街 92 號, and funding was required for the same. Part of the funding came from loans from shareholders of Sunshine City, advanced in accordance with their respective shareholding in Sunshine City on a pro-rata basis.

The Vendor had advanced loans aggregating to approximately the equivalent of US\$18,957,180.50 to Sunshine City as shareholder's loans. Sunshine City had in turn advanced the majority of such amount as loan to Rong Jin.

The Agreement

1. Date: 5th February 2001

2. Parties

Vendor: Fong's China Development Limited

Purchaser: Central Plaza Development Limited

Sunshine City is also a party to the Agreement with the obligation to remit the sum of US\$18,018,018 to the Vendor.

3. Consideration

The total consideration comprises of (i) the sum of US\$18,018,018 and (ii) the assignment of the land use rights to the Vendor in respect of office premises of an area of not less than 200 square metres above the 4th Floor in Central Plaza (中環廣場) at 中國北京宣武區棗林前街 92 號.

Rong Jin will pay the sum of US\$18,018,018 in cash to Sunshine City. Sunshine City will then pay this sum in cash to the Vendor by remitting the same into the Vendor's bank account in Hong Kong in reduction of the shareholder's loan owing by Sunshine City to the Vendor.

In respect of the land use rights of office premises of an area of not less than 200 square metres above the 4th floor in Central Plaza (中環廣場), the Purchaser does not own such land use rights. The developer of Central Plaza(中環廣場) is Beijing Central Plaza Development Limited. The Purchaser has, however, warranted that upon completion of the construction of Central Plaza (中環廣場) and after satisfactory inspection of the same by the relevant authorities, the Vendor will be assigned such land use rights. In the event that the Purchaser breaches such warranty, the Vendor's remedy will be for damages sustained. The value of such office premises is estimated by the Directors at approximately US\$283,140 (US\$1,415.70 per square metre) with reference to comparable prices of land use rights of office premises in buildings of similar category adjoining the development of Central Plaza (中環廣場).

4. Deposit

HK\$7,000,000 to be paid by the Purchaser to the Vendor within three Business Days of 5th February 2001 as security of the obligation of the Purchaser to proceed to completion. If the Agreement shall not be completed on or before 17th March 2001 (without any default on the part of the Purchaser), such sum of HK\$7,000,000 shall be returned to the Purchaser.

5. Completion

Completion will take place on the Business Day following the receipt by the Vendor of the sum of US\$18,018,018 from Sunshine City, and such Business Day shall be on or before 17th March 2001. At Completion, the Vendor will transfer its 35 shares in Sunshine City and assign the then remaining balance of the outstanding shareholder's loan of approximately US\$939,162.50 owing by Sunshine City to the Vendor to the Purchaser or its nominee at HK\$1.00. If the Agreement shall not be completed on or before 17th March 2001, the Agreement shall be terminated.

Reasons for the Realisation

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are in the manufacturing and sale of dyeing and finishing machinery.

The Directors believe that the consideration for the Realisation is fair and reasonable having regard to the amount of the Vendor's investment in Sunshine City against the changes in demand for commercial property in the property market in PRC since 1994 when the Vendor first invested in Sunshine City, and that the Vendor is holding a minority interest in Sunshine City, a company which has not attained any profit since incorporation.

The Realisation is not a disposition of real property, but a minority interest in a company, i.e. Sunshine City, which also does not own 北京國際金融中心. 北京國際金融中心 is owned by Rong Jin and the Vendor does not directly hold any interest in Rong Jin.

There is no market where minority interest in a company can be freely traded. The Realisation thus represents a valuable opportunity for the Vendor to dispose of its interest in Sunshine City and recoup a substantial part of its investment in Sunshine City without the need to await completion of 北京國際金融中心 by Rong Jin, followed by sale of the units thereof and distribution of proceeds to Sunshine City by Rong Jin, and thereafter, if the payment from Rong Jin to Sunshine City is sufficient for repayment of shareholders' loans, repayment of the shareholder's loan owing by Sunshine City to the Vendor. The Realisation will further enhance the availability of funds for activities of the Company's Group.

The negotiation with the Purchaser centred upon the sum of US\$18,018,018. The land use rights in respect of office premises of an area of not less than 200 square metres above the 4th Floor in Central Plaza (中環廣場), the estimated value of which is about 1.6% of US\$18,018,018, was only ancillary to the consideration of the sum of US\$18,018,018 and which the Purchaser offered to provide as a matter of sincerity, and hence included into the Agreement. The Vendor only finds it to the Vendor's interest to take the additional benefit of a warranty that the Vendor will have such land use rights assigned to the Vendor. The Company and the Vendor intend to use the aforesaid office premises in Central Plaza (中環廣場) for the office of the Company's Group in Beijing, PRC.

The consideration in respect of the Realisation was arrived at after arm's length negotiations between the Vendor and the Purchaser. The Directors believe that the terms of the Agreement are in the interests of the shareholders of the Company as a whole.

General

The transaction contemplated under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing further information on the Realisation will be sent to the shareholders of the Company as soon as practicable.

This announcement is made by the order of the Board and each Director individually and jointly accept responsibility for the accuracy of this announcement.

Definitions

In this announcement, the expressions below have the following meanings assigned:

"Agreement"	the sale and purchase agreement made between the Vendor, the Purchaser and Sunshine City on 5th February 2001, and more particularly described in the paragraph above under the heading "The Agreement"
"Board"	the board of Directors of the Company
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong or the People's Republic of China
"Company"	Fong's Industries Company Limited, a company incorporated under the laws of Bermuda and listed on The Stock Exchange of Hong Kong Limited
"Directors"	the directors of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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"	Central Plaza Development Limited, a company incorporated under the laws of the British Virgin Islands
"Realisation"	the sale of 35 shares in Sunshine City by the Vendor to the Purchaser and the assignment of shareholder's loan from the Vendor to the Purchaser in the sum of US\$939,162.50 owing by Sunshine City to the Vendor

"Rong Jin" Beijing Rong Jin Real Estate Development Company Limited, a sino-foreign co-operative joint venture company established in PRC

"Sunshine City" Sunshine City Limited, a company incorporated under the laws of the British Virgin Islands

"Vendor" Fong's China Development Limited, a company incorporated under the laws of the British Virgin Islands

By Order of the Board
Fong Sou Lam
Chairman

Hong Kong, 7th February 2001

"Please also refer to the published version of this announcement in the Hong Kong i-mail"