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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 TRANSACTION

On 30th December, 2004, Fong's National Engineering Company, Limited, a wholly-owned subsidiary of the Company as tenant entered into a Tenancy Agreement with a company controlled by Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, Directors of the Company in respect of certain premises in a factory building at Tsing Yi, Hong Kong.

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

Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, together with their associates, are interested in an aggregate of approximately 58.67% of the entire issued share capital of the Company as at the date hereof. Therefore, the transaction contemplated under the Tenancy Agreement constitutes a non-exempt continuing connected transaction under the Listing Rules and is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Since the total annual rental payable by the Group under the Tenancy Agreement represents less than 2.5% of the applicable percentage ratios of the Company, no independent shareholders' approval is required. Details of the Tenancy Agreement will be included in the annual report and accounts of the Company of each of the relevant financial years in accordance with Rule 14A.46 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

Tenancy Agreement dated 30th December, 2004 (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 2nd Floor, the 7th Floor and the 8th Floor (with flat roof and portion of top roof) of the factory building situated at 22-28 Cheung Tat Road, Tsing Yi, Hong Kong, having a total gross floor area of approximately 90,800 square feet.

Term:

Three years commencing from 1st January, 2005 and ending on 31st December, 2007.

Monthly rental:

The monthly rental of HK\$451,500 payable in advance on a monthly basis (excluding rates, government rent, management charges and all outgoings) being determined by an independent rental valuation dated 6th December, 2004 by CS Surveyors Limited, which is not a connected person (as defined under the Listing Rules) of the Group. The Directors (including 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 it is in the interests of the Company and its shareholders as a whole.

Usage of the Premises:

The existing tenancy agreement dated 31st December, 2001 entered into between the Landlord and Tenant in respect of certain portions of the factory building at 22-28 Cheung Tat Road, Tsing Yi, Hong Kong with a gross floor area of approximately 66,667 square feet at a monthly rental of HK\$377,100 would expire on 31st December, 2004, details of which were included in the Company's press announcement dated 31st December, 2001.

In view of the expiry of the existing tenancy agreement, the Tenant has agreed to enter into the new Tenancy Agreement in respect of the Premises. 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.

Continuing Connected Transaction:

The Landlord is a company beneficially owned and controlled by Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill, who are Directors of the Company and the sons of Mr. Fong Sou Lam, Chairman 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 58.67% of the entire issued share capital of the Company as at the date hereof. Therefore, the transaction contemplated under the Tenancy Agreement constitutes a non-exempt continuing connected transaction under the Listing Rules and is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of 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.

The annual rental payable during the term of the Tenancy Agreement is HK\$5,418,000. Since the total annual rental payable by the Group under the Tenancy Agreement represents less than 2.5% of the applicable percentage ratios of the Company, no independent shareholders' approval is required. Details of the Tenancy Agreement will be included in the annual report and accounts of the Company of 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, manufacture and sale of stainless steel casting products and property holding.

As at the date of this announcement, the Executive Directors are (i) Mr. Fong Sou Lam; (ii) Mr. Lee Che Chiu; (iii) Mr. Fong Kwok Leung, Kevin; (iv) Mr. Fong Kwok Chung, Bill; (v) Mr. Mo Yiu Leung, Jerry; (vi) Mr. Cheuk Hon Kin, Kelvin; (vii) Dr. Tsui Tak Ming, William; (viii) Ms. Poon Hang Sim, Blanche; (ix) Mr. Tsui Wai Keung and the Independent Non-executive Directors are (i) Mr. Cheung Chiu Fan; (ii) Mr. Lui Chi Lung, Louis and (iii) Dr. Yuen Ming Fai.

By order of the Board of Directors
C.K. Lee
Company Secretary

Hong Kong, 30th December, 2004.

* *For identification only*

“Please also refer to the published version of this announcement in The Standard”