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## **FONG'S INDUSTRIES COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

### **CONNECTED TRANSACTION**

### **LEASING OF PREMISES**

The Company, through a wholly-owned subsidiary, has 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 Island.

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 are the sons of Mr. Fong Sou Lam, Chairman of the Company. Since Mr. Fong Sou Lam, Mr. Fong Kwok Leung, Kevin and Mr. Fong Kwok Chung, Bill are directors of the Company and, together with their associates, have a controlling shareholding in the Company, the leasing of the premises constitutes a connected transaction under the Listing Rules.

#### **Tenancy Agreement dated 31st December, 2001**

#### **Parties:**

Landlord: Sou Lam Company, Limited

Tenant: Fong's National Engineering Company, Limited, a wholly-owned subsidiary of Fong's Industries Company Limited (the "Company").

**Premises leased:**

The whole of the Ground Floor, 2nd Floor and 8th Floor (with flat roof and portion of top roof) of the factory building situated at 22-28 Cheung Tat Road, Tsing Yi Island, New Territories, Hong Kong, having a total gross floor area of about 66,667 square feet.

**Term:**

3 years commencing on 1st January, 2002 and ending on 31st December, 2004.

**Monthly rental:**

HK\$377,100 per month (excluding rates, government rent, management charges and all outgoings) being determined by an independent rental valuation dated 14th December, 2001 by CS Surveyors Limited. The directors of the Company (including the Independent non-executive directors) consider that the terms of the Tenancy Agreement are fair and reasonable and it is in the interests of the Group to enter into the same.

**Usage of the premises:**

It will be occupied and used by the Group for general office as well as industrial or godown purposes.

**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 63.43% of the entire issued share capital of the Company as at the date hereof. Therefore, the transaction contemplated under the Tenancy Agreement constitutes a connected transaction under the Listing Rules.

Since the annual rental in the term of the Tenancy Agreement is less than 3% of the consolidated net tangible assets of the Company as per the latest published audited consolidated balance sheet as at 31st December, 2000, the Company is required to disclose the transaction by way of a press notice and the inclusion of certain information in relation to the transaction described herein in the next published annual reports and accounts of the Company.

## **General Information:**

The Company and its subsidiaries are principally engaged in the manufacture and sale of dyeing machines, trading of stainless steel supplies and machine parts, manufacture and sale of stainless steel casting products and property holding.

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

Hong Kong, 31st December, 2001

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