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**HANG FUNG GOLD TECHNOLOGY LIMITED**

**恒豐金業科技有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 870)**

## **CONTINUING CONNECTED TRANSACTIONS**

On 26 May 2008, Hang Fung, a subsidiary of the Company entered to the First Tenancy Agreement with Sky Rich, to renew its rental of the Third Kaiser Estate Premises on the expiry of the Original Tenancy Agreement. On the same date, Hang Fung also entered into the Second Tenancy Agreement with Central Point, for the rental of the Sixth Kaiser Estate Premises.

Sky Rich is wholly-owned by Mr. Lam and Ms. Chan and Central Point is wholly-owned by Mr. Lam. As Mr. Lam and Ms. Chan are executive Directors and Mr. Lam is also a substantial shareholder of the Company, both Sky Rich and Central Point are connected persons of the Company within the meaning of the Listing Rules. Hence, the First Tenancy Agreement and the Second Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the total annual rental payable in respect of the First Tenancy Agreement, the Second Tenancy Agreement and other tenancy arrangements disclosed in the Announcements represent less than 2.5% of the applicable percentage ratios in respect of the Company, no independent shareholders' approval of those agreements is required pursuant to Rule 14A.34 of the Listing Rules. Details of the First Tenancy Agreement and the Second 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.

Reference is made to the announcement of the Company dated 3 June 2005 in relation to the Original Tenancy Agreement which will expire on 31 May 2008. On 26 May 2008, Hang Fung, a subsidiary of the Company entered to the First Tenancy Agreement with Sky Rich, to renew its rental of the Third Kaiser Estate Premises on the expiry of the Original Tenancy Agreement. On the same date, Hang Fung also entered into the Second Tenancy Agreement with Central Point, for the rental of the Sixth Kaiser Estate Premises. Details of the First Tenancy Agreement and the Second Tenancy Agreement are described below.

### **A. THE FIRST TENANCY AGREEMENT**

The principal commercial terms of the First Tenancy Agreement are set out below:-

Date: 26 May 2008

**Parties**

1. Sky Rich as landlord
2. Hang Fung as tenant

**Premises**

Unit G, 1st Floor, Kaiser Estate Phase II, Nos. 47-53 Man Yue Street, Nos. 20-28 Man Lok Street, Hung Hom, Kowloon, Hong Kong

**Term**

For a period of two years and five months commencing from 1 June 2008 to 31 October 2010.

**Rental**

HK\$978,000 per annum (HK\$81,500 per month) (exclusive of rates, government rent and management fees) for the term of two years and five months which represents no discount and no premium to the market rental of the Third Kaiser Estate Premises as valued by DTZ Debenham Tie Leung Limited as at 26 May 2008.

The rent for the Third Kaiser Estate Premises is to be paid in cash on a monthly basis.

The lease of the Third Kaiser Estate Premises was determined after arm's length negotiations between the parties to the First Tenancy Agreement and by reference to the prevailing market rent for similar properties (eg. with respect to floor space and age of the building) in the vicinity as confirmed by DTZ Debenham Tie Leung Limited.

**B. THE SECOND TENANCY AGREEMENT**

The principal commercial terms of the Second Tenancy Agreement are set out below:-

Date: 26 May 2008

**Parties**

1. Central Point as landlord
2. Hang Fung as tenant

**Premises**

Unit H1, 1st Floor, Kaiser Estate Phase II, Nos. 47-53 Man Yue Street, Nos. 20-28 Man Lok Street, Hung Hom, Kowloon, Hong Kong

**Term**

For a period of two years and five months commencing from 1 June 2008 to 31 October 2010.

## **Rental**

HK\$482,400 per annum (HK\$40,200 per month) (exclusive of rates, government rent and management fees) for the term of two years and five months which represents no discount and no premium to the market rental of the Sixth Kaiser Estate Premises as valued by DTZ Debenham Tie Leung Limited as at 26 May 2008.

The rent for the Sixth Kaiser Estate Premises is to be paid in cash on a monthly basis.

The lease of the Sixth Kaiser Estate Premises was determined after arm's length negotiations between the parties to the Second Tenancy Agreement and by reference to the prevailing market rent for similar properties (eg. with respect to floor space and age of the building) in the vicinity as confirmed by DTZ Debenham Tie Leung Limited.

## **Annual Caps**

With the signing of the First Tenancy Agreement and the Second Tenancy Agreement, the Group currently has a total of 7 subsisting tenancy agreements (including the Original Tenancy Agreement which will expire on 31 May 2008) with its connected persons as the landlords to those tenancy agreements are all companies either wholly owned by Mr. Lam or wholly owned by Mr. Lam and Ms. Chan. As the First Tenancy Agreement, the Second Tenancy Agreement and the tenancy arrangements disclosed in the Announcements all subsisted within a 12-month period since 26 May 2008 (being the date of the First Tenancy Agreement and the Second Tenancy Agreement), the rental payable under those agreements and arrangements have been aggregated for the purposes of compliance with the Listing Rules. The resulting Annual Cap for the rental payable under all such rental arrangements pursuant to Rule 14A.25 of the Listing Rules for each of the three financial years ending 31st March 2009, 2010 and 2011 is HK\$5,165,000, HK\$3,902,400 and HK\$2,325,167 respectively, which is less than 2.5% of each of the applicable percentage ratios in respect of the Company.

The table below shows the date on which each of the tenancy was announced, the parties to such arrangements, the premises to which it relates, the rental per annum payable and the applicable annual caps for each of the three financial years ending 31st March 2009, 2010 and 2011 as announced by the Company on 3 June 2005, 12 September 2005, 2 November 2006, 16 November 2007, 3 March 2008 and this announcement.

Date of Announcement	Parties	Description of the premises	Approx. saleable area (sq.ft)	Rental per annum (Note 1) HK\$	Term	Annual Caps (Note 1) (rental payable)		
						Year ending 31/03/2009 HK\$	Year ending 31/03/2010 HK\$	Year ending 31/03/2011 HK\$
03/06/2005	Sky Rich as landlord and Hang Fung as tenant	Third Kaiser Estate Premises	6,267	600,000	3 years from 01/06/2005 to 31/05/2008	100,000 (Note 2)	N/A	N/A
12/09/2005	Sky Rich as landlord and Hang Fung as tenant	First Kaiser Estate Premises	10,664	1,500,000	3 years from 01/12/2005 to 30/11/2008	1,000,000 (Note 2)	N/A	N/A
02/11/2006	Sky Rich as landlord and Hang Fung as tenant	Fourth Kaiser Estate Premises	5,772	696,000	2 years from 01/11/2006 to 31/10/2008	406,000 (Note 2)	N/A	N/A
16/11/2007	Glory Hill and Skyman as landlords and Hang Fung as tenant	Winner Building Premises	5,026	1,230,000	3 years from 15/11/2007 to 14/11/2010	N/A (Note 3)	N/A (Note 3)	N/A (Note 3)
		Second Kaiser Estate Premises	9,881 (excl. car parking space)	1,254,000		1,254,000	1,254,000	780,267 (Note 2)
03/03/2008	Central Point as landlord and Hang Fung as tenant	Fifth Kaiser Estate Premises	7,940	1,188,000	2 years and 8 months from 01/03/2008 to 31/10/2010	1,188,000	1,188,000	693,000 (Note 2)
This announcement	Sky Rich as landlord and Hang Fung as tenant	Third Kaiser Estate Premises	6,267	978,000	2 years and 5 months from 01/06/2008 to 31/10/2010	815,000 (Note 2)	978,000	570,500 (Note 2)
	Central Point as landlord and Hang Fung as tenant	Sixth Kaiser Estate Premises	3,091	482,400	2 years and 5 months from 01/06/2008 to 31/10/2010	402,000 (Note 2)	482,400	281,400 (Note 2)
<b>Annual Caps</b>						<u>5,165,000</u>	<u>3,902,400</u>	<u>2,325,167</u>

**Notes:**

- 1: *The Annual Caps represent the actual rental paid and to be paid by the Group for the above premises.*
- 2: *These cap amounts are apportioned by reference to the actual rental to be paid by the Group during the relevant financial year in accordance with the term of the relevant tenancy.*
- 3: *The tenancy agreement was terminated pursuant to a termination agreement dated 19 February 2008.*

## **B. REASONS FOR CONTINUING CONNECTED TRANSACTIONS**

The Group has leased the Third Kaiser Estate Premises under the Original Tenancy Agreement since 1 June 2005 and has been using it as part of its office. As the Original Tenancy Agreement expires on 31 May 2008, the First Tenancy Agreement ensures immediate continuity in the use of its operating premises and avoids disruption to operations which relocation will inevitably entail.

The Sixth Kaiser Estate Premises is also located in the building where the Group has centralized its office. The Second Tenancy Agreement secures space that the Group expects to require for its future expansion.

The Directors (including the independent non-executive Directors) consider the First Tenancy Agreement and the Second Tenancy Agreement were entered into in the ordinary and usual course of business of the Company, on normal commercial terms and be in the interests of the Company and its shareholders as a whole, and that their terms are fair and reasonable.

## **C. GENERAL**

The Company is an investment holding company and Hang Fung, a wholly-owned subsidiary of the Company, is principally engaged in the design, manufacture and selling of a broad range of gold products, other precious metal products and jewellery products.

Sky Rich is a property investment company wholly-owned by Mr. Lam and Ms. Chan and which holds the Third Kaiser Estate Premises.

Central Point is a property investment company wholly-owned by Mr. Lam and which holds the Sixth Kaiser Estate Premises.

As Mr. Lam and Ms. Chan are executive Directors and Mr. Lam is also a substantial shareholder of the Company, both Sky Rich and Central Point are connected persons of the Company within the meaning of the Listing Rules. Hence, the First Tenancy Agreement and the Second Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules. Since the total annual rental payable in respect of the First Tenancy Agreement, the Second Tenancy Agreement and other tenancy arrangements disclosed in the Announcements represent less than 2.5% of the applicable percentage ratios in respect of the Company, no independent shareholders' approval of those agreements is required pursuant to Rule 14A.34 of the Listing Rules. Details of the First Tenancy Agreement and the Second 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.

As at the date of this announcement, the executive directors of the Company are Mr. Lam Sai Wing, Ms. Chan Yam Fai, Jane, Ms. Ng Yee Mei, Mr. Yeung Hon Yuen and Mr. Kuang Hao Kun, Giovanni, the non-executive director is Mr. Wong Kwong Chi and the independent non-executive directors are Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:-

“Announcements”	the announcements of the Company dated 3 June 2005, 12 September 2005, 2 November 2006, 16 November 2007 and 3 March 2008 in respect of continuing connected transactions;
“Annual Caps”	The maximum annual rental payable by the Group under the First Tenancy Agreement, the Second Tenancy Agreement and the tenancy arrangements disclosed in the Announcements for each of the three financial years ending 31st March 2009, 2010 and 2011, being HK\$5,165,000, HK\$3,902,400 and HK\$2,325,167 respectively;
"Board"	the board of Directors of the Company;
"Central Point"	Central Point Investment Limited, a company incorporated in Hong Kong and which is wholly-owned by Mr. Lam;
"Company"	Hang Fung Gold Technology Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange;
"Director(s)"	the director(s) of the Company;
"Fifth Kaiser Estate Premises"	Unit L on 1st Floor of the Kaiser Estate Phase II;
"First Kaiser Estate Premises"	Units J, K and L on Ground Floor of the Kaiser Estate Phase II;
"First Tenancy Agreement"	the tenancy agreement entered into between Hang Fung and Sky Rich on 26 May 2008 pursuant to which Hang Fung will take up the tenancy of the Third Kaiser Estate Premises for a period of two years and five months commencing from 1 June 2008 at an aggregate rental of HK\$81,500 per month;
"Fourth Kaiser Estate Premises"	Unit A on 1st Floor of the Kaiser Estate Phase I;
"Glory Hill"	Glory Hill Limited, a company incorporated in Hong Kong and which is wholly-owned by Mr. Lam;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;

"Hang Fung"	Hang Fung Jewellery Company Limited, a company incorporated in Hong Kong and which is a wholly-owned subsidiary of the Company;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Independent Third Party"	person who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, is third party independent of the Company and of the connected persons of the Company as defined in the Listing Rules;
"Kaiser Estate Phase I"	Kaiser Estate Phase I, Nos. 37-45 Man Yue Street, Hunghom, Kowloon, Hong Kong;
"Kaiser Estate Phase II"	Kaiser Estate Phase II, Nos. 47-53 Man Yue Street and Nos. 20-28 Man Lok Street, Hunghom, Kowloon, Hong Kong;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Lam"	Lam Sai Wing, an executive Director and substantial shareholder of the Company;
"Ms. Chan"	Chan Yam Fai Jane, an executive Director, is the wife of Mr Lam Sai Wing;
"Original Tenancy Agreement"	the tenancy agreement entered into between Hang Fung and Sky Rich on 1 June 2005 pursuant to which Hang Fung took up the tenancy of the Third Kaiser Estate Premises for a period of three years commencing from 1 June 2005 at an aggregate rental of HK\$50,000 per month;
"PRC"	the People's Republic of China;
"Second Kaiser Estate Premises"	Units H and K and Flat Roof K on 2nd Floor and Private Car Parking Space Nos. G17, G19 and G21 on Ground Floor of the Kaiser Estate Phase II;
"Second Tenancy Agreement"	the tenancy agreement entered into between Hang Fung and Central Point on 26 May 2008 pursuant to which Hang Fung will take up the tenancy of the Sixth Kaiser Estate Premises for a period of two years and five months commencing from 1 June 2008 at an aggregate rental of HK\$40,200 per month;
"Sixth Kaiser Estate Premises"	Unit H1 on 1st Floor of the Kaiser Estate Phase II;
"Skyman"	Skyman Limited, a company incorporated in Hong Kong and which is wholly-owned by Mr. Lam;

"Sky Rich"	Sky Rich Enterprises Limited, a company incorporated in Hong Kong and which is owned as to 50% by Mr. Lam and 50% by Ms. Chan;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Third Kaiser Estate Premises"	Unit G on 1st Floor of the Kaiser Estate Phase II; and
"Winner Building Premises"	Unit A on Ground Floor and Private Car Parking Space No. 18 on the Basement, Winner Building, Nos. 32, 32A and 34-40 Man Yue Street, Nos. 25-37 Tai Wan Road, Hung Hom, Kowloon, Hong Kong.

By order of the board  
**Hang Fung Gold Technology Limited**  
Wu Ying Keung  
*Company Secretary*

Hong Kong, 27 May 2008

*\* For identification purpose only*