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KAM HING INTERNATIONAL HOLDINGS LIMITED

錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02307)

DISCLOSEABLE TRANSACTION IN RELATION TO LEASE AGREEMENT

LEASE AGREEMENT

On 9 September 2024 (after trading hours of the Stock Exchange), the Lessor as the lessor and the Lessee, being an indirect wholly-owned subsidiary of the Company, as the lessee entered into the Lease Agreement for the Premises for a term of 10 years commencing from the date of delivery of the Premises to the Lessee (which is expected to be in November 2024). The Premises will be used by the Lessee as its fabric knitting factory in Vietnam.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into of the Lease Agreement, the Group shall recognise an additional right-of-use asset representing its right to use the Premises in the total amount of approximately HK\$21.7 million. As such, the transactions contemplated under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement is more than 5% but less than 25%, the entering into of the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

LEASE AGREEMENT

On 9 September 2024 (after trading hours of the Stock Exchange), the Lessor as the lessor and the Lessee, being an indirect wholly-owned subsidiary of the Company, as the lessee entered into the Lease Agreement for the Premises for a term of 10 years.

The principal terms of the Lease Agreement are summarised below:

- Date : 9 September 2024
- Parties : (i) CÔNG TY TNHH DỆT MAY THÊ HÒA (世和紡織有限公司*) as the lessor; and
- (ii) Kam Fung (Hong Kong) Garment Company Limited (錦豐(香港)製衣有限公司) as the lessee

The Lessor is a company established in Vietnam with limited liability and is principally engaged in manufacture and processing of knitted and dyed fabrics. The Lessor is ultimately owned as to 60% by Dinh Thi Phuong Phi, as to 35% by Tuan Hao Ly and as to 5% by Dinh Thi Phuong Oanh. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Lessor and its ultimate beneficial owners, Dinh Thi Phuong Phi, Ly Tuan Hao and Dinh Thi Phuong Oanh, is an Independent Third Party.

- Premises : The factory building located at KCN Nhon Trach 6, Xã Long Thọ, Huyện Nhơn Trạch, Tỉnh Đồng, comprising two storeys of production units of approximately 5,524.2 sq.m. each (inclusive of one existing storey of production workshop, one storey of production workshop to be constructed by the Lessor prior to delivery of the Premises to the Lessee, and office area on each floor), along with the foundation area of approximately 1,247.4 sq.m. located outside the factory building (collectively, the "**Premises**").

- Term : A fixed term of ten (10) years commencing from the date of delivery of the Premises to the Lessee (which is expected to be in November 2024).

The Lessee is granted an option to renew the lease by giving six-month prior written notice to the Lessor before the expiry of the original term.

The Lease Agreement may be terminated before the expiry of the original term (a) by mutual agreement; (b) by the Lessor in the event of, among others, the Lessee's failure to pay the rent payable in accordance with the payment terms and delay such payment for over 3 months without the Lessor's consent; and (c) by the Lessee in the event of, among others, the Premises being unsafe or causing damage to the Lessee but the Lessor fails to repair. In all such cases, the Lessor shall refund the Security Deposit and the balance of any prepaid amount (if any) to the Lessee after deducting the lease expenses, and the Lessee may withdraw all the equipment acquired and installed by it.

Rent payable : The monthly rent for the Premises (excluding VAT) shall be USD30,739.5 (equivalent to approximately HK\$239,768) for the first thirty-six (36) months, being the aggregate of:

- (i) USD16,572.6 per month (equivalent to approximately HK\$129,266) (excluding VAT) for the lease of one storey of production unit of approximately 5,524.2 sq.m., which is calculated based on the rental rate of USD3 per sq.m. per month;
- (ii) USD3,118.5 per month (equivalent to approximately HK\$24,324) (excluding VAT) for the lease of the foundation area of approximately 1,247.4 sq.m. located outside the factory building, which is calculated based on the rental rate of USD2.5 per sq.m. per month; and
- (iii) USD11,048.4 per month (equivalent to approximately HK\$86,177) (excluding VAT) for the lease of one storey of production unit of approximately 5,524.2 sq.m., which is calculated based on the rental rate of USD2 per sq.m. per month.

The monthly rent shall be adjusted upward by 5% every thirty-six (36) months thereafter. The Board does not expect that such adjustment to the rent will result in a change in the classification of the lease under Chapter 14 of the Listing Rules.

The monthly rent for the Premises was determined by reference to the market rent of the comparable properties located in the proximity of the Premises.

Payment terms : The rental payment shall be made in arrears every three months and payable within the first to seventh day of the first month of each three-month period by the Lessee. The rental payment will be financed by the internal resources of the Lessee.

Security deposit : The Lessee shall pay an amount of USD368,874.0 (equivalent to approximately HK\$2,877,217.2) (the “**Security Deposit**”), being the sum of 12 months’ rent for the Premises, to the Lessor as security deposit upon the signing of the Lease Agreement.

The Security Deposit shall be refunded to the Lessee without interest upon expiry or early termination of the Lease Agreement.

REASONS AND BENEFITS FOR THE ENTERING INTO OF THE LEASE AGREEMENT

The Lessee is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding. The Group is principally engaged in manufacture and trading of knitted fabrics, dyed fabrics and garment products and provision of related services. The Group operates its business through three segments. The fabric segment engages in the production and sale of knitted fabric and dyed yarn. The garment segment engages in the production and sale of garment products and provision of related subcontracting services. The others segment includes the provision of sewage treatment service, the provision of air and ocean freight handling services and property development.

As disclosed in the circular of the Company dated 22 August 2024, the Group is actively pursuing its business expansion plan in Southeast Asia including the negotiation for a lease of a factory building in Vietnam which refers to the lease of the Premises contemplated under the Lease Agreement. In line with such business expansion plan of the Group, the Directors consider it commercially necessary and beneficial to enter into the Lease Agreement with a view to further enhance the Group’s production capacity for textile manufacturing. The Premises will be used by the Lessee as its fabric knitting factory in Vietnam which will operate in synergy with the Group’s existing investments in Southeast Asia.

In view of the foregoing, the Directors consider that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 applicable to the Company, as a result of the entering into of the Lease Agreement, the Group shall recognise an additional right-of-use asset representing its right to use the Premises in the total amount of approximately HK\$21.7 million. As such, the transactions contemplated under the Lease Agreement will be recognised as an acquisition of right-of-use assets which will constitute a transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in relation to the Lease Agreement is more than 5% but less than 25%, the entering into of the Lease Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Company”	Kam Hing International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 02307)
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Lease Agreement”	the lease agreement dated 9 September 2024 and entered into between the Lessor as the lessor and the Lessee as the lessee in respect of the leasing of the Premises, particulars of which are set out in this announcement

“Lessee”	Kam Fung (Hong Kong) Garment Company Limited (錦豐(香港)製衣有限公司), a company established in Hong Kong with limited liability, being an indirect wholly-owned subsidiary of the Company
“Lessor”	CÔNG TY TNHH DÊT MAY THÊ HÒA (世和紡織有限公司*), a company established in Vietnam with limited liability and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	has the meaning as ascribed to it in the section headed “Lease Agreement” in this announcement
“Security Deposit”	has the meaning as ascribed to it in the section headed “Lease Agreement” in this announcement
“Share(s)”	ordinary shares(s) of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	United States of America
“sq.m.”	square metre
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollar, the lawful currency of the United States
“VAT”	value added tax imposed by the Vietnamese government
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in USD have been converted into HK\$ at the rate of USD1 to HK\$7.80. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

** The Chinese transliteration of the Vietnamese name(s) in this announcement, where indicated with “*”, is included for information purpose only, and should not be regarded as the official Chinese name(s) of such Vietnamese name(s).*

By Order of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 9 September 2024

As at the date of this announcement, the Board comprises Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk and Mr. Lei Heong Man as executive Directors; and Mr. Ho Gilbert Chi Hang, Mr. Ting Kay Loong and Mr. Wu Tak Lung as independent non-executive Directors.