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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

The Board is pleased to announce that on 1 March 2016, following successful bidding through the listing-for-sale process on GEMAS, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition, pursuant to which the Purchaser has agreed to acquire the entire equity interest in the Target Company held by Vendor at the cash consideration of RMB40,801,500.

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules.

THE AGREEMENT

Date: 1 March 2016

Parties:

- (1) Vendor : Guangzhou City Panyu Water Affairs Company Limited* (廣州市番禺水務股份有限公司)
- (2) Purchaser : Guangzhou Kam Hing Textile Dyeing Co., Ltd* (廣州錦興紡織漂染有限公司), a wholly-owned subsidiary of the Company

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and any of its connected persons within the meaning of the Listing Rules.

Assets to be acquired

The entire equity interest of the Target Company.

Consideration

The Acquisition was conducted on GEMAS in accordance with the applicable PRC laws and regulations. The Consideration was made by the Purchaser through tender by reference to (i) the minimum bidding price of RMB40,801,500 set out in the GEMAS Announcement; and (ii) the valuation in the amount of RMB40,801,500 attributable to the entire equity interest of the Target Company pursuant to the report on the valuation of the Target Company as at 30 June 2015 prepared by the PRC valuer, namely Guangdong Zhong Guang Shin Assets Appraisal Company Limited* (廣東中廣信資產評估有限公司) as disclosed in the GEMAS Announcement. Taking into account the valuation of the Target Company, the financial effect of the Operation Agreement and the reasons for the Acquisition as disclosed below, the Board considers the Consideration, which represents the minimum bidding price for the Acquisition, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration of RMB40,801,500 shall be settled by the Purchaser in the following manner:–

- (a) as to RMB8,200,000 which has been paid by the Group as deposit upon making the tender application; and
- (b) as to the balance of RMB32,601,500 shall be paid by the Purchaser to GEMAS within ten business days after the signing of the Agreement.

The Consideration will be paid by the Purchaser from the internal resources of the Group.

Completion

Completion of the Acquisition will take place following the full payment of the Consideration and completion of the registration procedures for the change in Shareholder registration at the relevant regulatory authorities.

INFORMATION OF THE TARGET COMPANY

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Target Company is a state-owned enterprise established in the PRC and principally engaged in the sewage treatment services in the PRC. Immediately before the Acquisition, the Target Company is wholly owned by the Vendor.

For the year ended 31 December 2014, the Target Company recorded an audited loss before and after taxation of approximately RMB2.21 million. For the year ended 31 December 2015, the Target Company recorded an unaudited loss before and after taxation of approximately RMB2.86 million. As at 31 December 2015, the unaudited net asset of the Target Company was approximately RMB15.16 million. The valuation in the amount of RMB40,801,500 attributable to the entire equity interest of the Target Company is pursuant to the report on the valuation of the Target Company as at 30 June 2015 prepared by the PRC valuer as disclosed in the GEMAS Announcement.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacturing and trading of knitted fabrics, dyed fabrics and yarns and provision of related services. The Purchaser is a wholly owned subsidiary of the Company and principally engaged in the manufacturing and trading of knitted and dyed fabrics.

As disclosed in the annual report of the Company for the year ended 31 December 2013, the Purchaser entered into the Operation Agreement with the Vendor in April 2013, pursuant to which the Group has the right to operate the Plant for a period of 20 years under an operating lease arrangement. Under the Operation Agreement, the Purchaser shall be required to enhance the property, plant and equipment of the Plant within the first 10 years for an aggregate amount of not less than RMB20 million and shall indemnify the Vendor for any shortfall in the net asset value of the Plant at the end of the lease term when compared with that at the commencement date of the Operation Agreement.

As the sewage treatment facilities of the Plant are essential to the business operation of the Purchaser, any disruption of the Plant would adversely affect the normal operation of the Purchaser.

By entering into the Agreement, the Group would benefit from having the ownership of the Plant with full right and control over it and without the need to make indemnity for any shortfall in the net asset value of the Plant under the Operation Agreement. Considering the importance of the sewage treatment to the operation, the Acquisition can ensure the continuity of the existing operation. In addition, the sewage licence held by the Target Company would have its potential market value in the environmental industry in the PRC.

Upon the signing of the Agreement, the Vendor and the Purchaser also entered into a supplemental agreement on the same date of the Agreement to terminate the Operation Agreement.

Pursuant to the Agreement, the Purchaser shall ensure the Target Company to operate the Plant as usual such that the normal rights to use the sewage treatment services by the existing enterprises in the industrial district of Liye Road, Panyu, Guangzhou, in the PRC would not be affected in return for sewage services charges to be negotiated between the Target Company and external users from time to time.

Taking into above factors, the Directors (including independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 1 March 2016 entered into between Purchaser and the Vendor in relation to the Acquisition
“Board”	board of Directors
“Company”	Kam Hing International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“Consideration”	the cash consideration for the Acquisition
“Directors”	the directors of the Company
“GEMAS”	Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所)
“GEMAS Announcement”	the announcement of GEMAS published on 31 December 2015 in respect of the open tender for the acquisition of the entire equity interest of the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Agreement”	the operating agreement entered into between the Vendor and the Purchaser in relation to the right to operate the Plant for a period of 20 years under an operating lease arrangement
“Plant”	a sewage treatment plant in Panyu, the PRC owned by the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Purchaser”	Guangzhou Kam Hing Textile Dyeing Co., Ltd* (廣州錦興紡織漂染有限公司), a wholly-owned subsidiary of the Company established in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou City Panyu Dongchong Industrial Sewage Treatment Services Company Limited* (廣州市番禺東涌工業污水處理有限公司), a limited liability company and a state-owned enterprise established in the PRC
“Vendor”	Guangzhou City Panyu Water Affairs Company Limited* (廣州市番禺水務股份有限公司), a limited liability company and a state-owned enterprise established in the PRC, which owned the entire equity interest of the Target Company before Completion

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 1 March 2016

** This is not the official English name and is just provided herein for reference only.*

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, Mr. Chong Chau Lam and Mr. Wong Wai Kong, Elmen as executive Directors; and Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Ho Gilbert Chi Hang as independent non-executive Directors.