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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: LAND LEASE CONTRACT

THE LAND LEASE CONTRACT

The Board is pleased to announce that on 6 September 2018 (after trading hours of the Stock Exchange), the Lessee, an indirect wholly owned subsidiary of the Company, as lessee entered into the Land Lease Contract with the Lessor, pursuant to which the Lessor agreed to lease the Plot to the Lessee for a term commencing from 6 September 2018 and ending on 14 December 2060.

LISTING RULES IMPLICATIONS

As the one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Land Lease Contract is/are more than 5% but less than 25%, the transactions contemplated under the Land Lease Contract constitute a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 6 September 2018 (after trading hours of the Stock Exchange), the Lessee, an indirect wholly owned subsidiary of the Company, as lessee entered into the Land Lease Contract with the Lessor, pursuant to which the Lessor agreed to lease the Plot to the Lessee for a term commencing from 6 September 2018 and ending on 14 December 2060.

The principal terms of the Land Lease Contract are set out as follows:

THE LAND LEASE CONTRACT

Date

6 September 2018

Parties

the Lessor: Bao Minh Industrial Parks Infrastructure Investment Joint Stock Company, a joint stock company duly established in Vietnam

the Lessee: Kam Hing Piece Works Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company

The Lessor is a joint stock company duly established and operating under the laws of Vietnam being licensed to do business in the field of investing, constructing and trading infrastructures of industrial parks. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Lessee shall establish the Vietnam Company and the parties agreed that the Lessor and the Vietnam Company shall enter into a formal land lease contract after the establishment of the Vietnam Company.

Property to be leased

Under the terms of the Land Lease Contract, the Lessor agreed to lease the Plot, which consists of land plot of about 100,000 sq.m. at the Bao Minh Industrial Park, Vu Ban District, Nam Dinh Province, Vietnam with infrastructure attached to the land. The actual area of the Plot will be reflected in the land use right certificate to be issued which is not expected to be more than 105,000 sq.m..

Use of the Plot

The Plot shall be used to construct factories and warehouses.

Term

The term of the Land Lease Contract shall commence on 6 September 2018 until 14 December 2060.

Land rental and other charges

Pursuant to the Land Lease Contract, the land rental of the Plot shall be calculated at US\$49 per sq.m. for the duration of the Term which shall be equivalent to US\$4,900,000 (equivalent to approximately HK\$38,220,000) (the “**Total Land Rental**”) assuming 100,000 sq.m. of the Plot, subject to value added tax (“**VAT**”) equivalent to 10% of the Total Land Rental which shall be payable by the Lessee. Accordingly the total rental payable by the Lessee under the Land Lease Contract shall be US\$5,390,000 (equivalent to approximately HK\$42,042,000).

Pursuant to the Land Lease Contract, in addition to the rental, the Lessee shall pay to the Lessor a management fee of US\$ 0.4 (equivalent to approximately HK\$3.12) per sq.m. per year for the Plot (which shall be subject to adjustment three years at a time not exceeding 10% of the previous period).

Payment Terms

- (i) Within 15 (fifteen) business days from the date the Land Lease Contract, the Lessee shall deposit by way of bank transfer to the Lessor 60% of the Total Land Rental (including VAT) in the amount of US\$ 3,234,000 (equivalent to approximately HK\$25,225,200);
- (ii) within 15 (fifteen) business days from the date which the Lessor and the Vietnam Company enters into a formal land lease contract, the Lessee shall pay to the Lessor second payment equivalent to 20% of the Total Land Rental (excluding VAT) in the amount of US\$980,000 (equivalent to approximately HK\$7,644,000);
- (iii) within 15 (fifteen) business days from the date the Vietnam Company is granted the land use right certificate for the Plot, the Lessee shall pay to the Lessor further payment equivalent to 10% of Total Land Rental (excluding VAT) in the amount of US\$490,000 (equivalent to approximately HK\$3,822,000); and
- (iv) within 15 (fifteen) business days from the date which the relevant environment impact assessment report is verified by the relevant authorized agencies, the Lessee shall pay to the Lessor the remaining of 10% of Total Land Rental and the remaining of VAT in the amount of US\$686,000 (equivalent to approximately HK\$5,350,800).

The rent has been arrived at after arm's length negotiations between the Lessee and the Lessor with reference to land plots in industrial parks within the proximity of the Plot. The Directors consider the rent, prepayment and payment terms are fair and reasonable and are of normal commercial terms.

The Lessee's responsibilities

Pursuant to the Land Lease Contract, the Lessee shall be responsible to, among other matters, build its factory, warehouse and other constructions works on the Plot that is suitable with its business purpose and functions and according to approved master plan of the area and to construct a wastewater treatment plant/facility for all waste water the Lessee manufacturing operations, which shall meet the standard regulated by the Ministry of Natural Resources and Environment of Vietnam.

The Lessor's responsibilities

Pursuant to the Land Lease Contract, the Lessor shall be responsible to, among other matters, (i) ensure that the Lessee has the right to the full and exclusive right to use the Plot during the leased period; (ii) ensure that all infrastructures attached to the Plot are designed, constructed and operated in full compliance with local and Vietnam Government standards, rules and regulations; and (iii) commit to ensure capacity to supply up to not less than 5,000 cubic metre per day of fresh water to the Lessee upon its demand.

Termination of the Land Lease Contract

Pursuant to the Land Lease Contract, the Land Lease Contract shall be terminated upon the occurrence of the following events:

- (i) the Lessor and the Lessee mutually agreed to terminate the Land Lease Contract in writing;
or
- (ii) the Lessee is not granted the relevant approval to operate its investments or the relevant construction permit by the authorised agencies in Vietnam or failed to verified the Environmental Impact Assessment Report by the authorised agencies, even though the investment procedures have been fully completed in accordance with Vietnamese laws and regulations;
- (iii) the Lessee fails to make its payment obligations in accordance with the terms of the Land Lease Contract and there are reasonable grounds for the Lessor to believe that the Lessee is unwilling to continue to perform the Land Lease Contract; or

- (iv) the Lessor refuse to handover the Plot to the Lessee in accordance with the Land Lease Contract.

If the Land Lease Contract is terminated under circumstances (i) or (ii) above, any money paid by the Lessee to the Lessor shall be refunded in full. If the Land Lease Contract is terminated under circumstance (iii) above, the Lessor shall not be liable to refund any amount paid by the Lessee under the Land Lease Contract. If the Land Lease Contract is terminated under circumstance (iv) above, the Lessor shall be liable to refund double of the amount paid by the Lessee under the Land Lease Contract and compensate all direct and indirect losses suffered by the Lessee.

INFORMATION OF THE PLOT

The Plot is located within the Bao Minh Industrial Park, Vu Ban District, Nam Dinh Province, Vietnam. Nam Dinh Province is the biggest textile and garment province in Vietnam since early 1900s, and is the economic focal point in the South of Red River Delta region. Bao Minh Industrial Park is located adjacent to South-North Railway and National Highway 10 which is major thoroughfare with 4 car lanes, running along the northern coast area of Vietnam passing through six provinces and cities: Quang Ninh, Hai Phong, Thai Binh, Nam Dinh, Ninh Binh and Thanh Hoa. It directly connects with other important traffic routes such as National Highway 5, National Road 37, National Road 39, National Road 21, Ha Noi — Hai Phong expressway and provincial roads, which connect major economic and political centre in Vietnam.

REASONS FOR AND THE BENEFITS OF THE LAND LEASE CONTRACT

The Group is principally engaged in manufacture and trading of knitted fabrics, dyed fabrics and yarns and provision of related services. The Group operates its business through two segments. The fabric products segment is engaged in the production and sale of knitted fabric and dyed yarn and the provision of related subcontracting services. The others segment is engaged in the production and sale of garment products and the provision of related subcontracting services. The Group has also commenced a residential property development project with its approximately 300-mu land in Enping, Guangdong Province.

China has been the historical major production base of the Group. However, the increase in labour costs in China has forced the Group to diversify its production base to other South East Asian countries. In 2017, the Group has established its garment manufacturing plant in Cambodia which is expected to be in full production this year. As the Group intends to further expand its production capacity in South East Asia, the Board considers Vietnam to be a suitable location for expansion given its proximity with the current production faculties of the Group and the maturity of its infrastructure. Therefore, the Directors believe that leveraging its geographical advantage and strategic location, the Plot where a new textile production facility for the Group will be built will facilitate and support the future development of the Group.

The Group intends to build a textile production base on the Plot and construction is expected to commence in 2019 and expected to be completed in 2020. Given the long duration of the Land Lease Contract, the Board considers that by entering into the Land Lease Contract, it can provide the Group with a long term production base for the Group in Vietnam for its business and operation.

The Board believes that the entering into of the Land Lease Contract is in the interest of the Group and the Shareholders as a whole, and the terms of the Land Lease Contract are fair and reasonable and of normal commercial terms by reference to the prevailing market rent of comparable properties in the vicinity.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions 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 and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Land Lease Contract”	the land lease principle contract dated 6 September 2018 and entered into between the Lessor and the Lessee in relation to the lease of the Plot
“Lessee”	Kam Hing Piece Works Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
“Lessor”	Bao Minh Industrial Parks Infrastructure Investment Joint Stock Company, a company duly established in Vietnam
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plot”	land plot of about 100,000 sq.m. at the Bao Minh Industrial Park, Vu Ban District, Nam Dinh Province, Vietnam
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vietnam Company”	the company to be established by the Lessee in Vietnam for the purpose of leasing the Plot
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“sq.m.”	square metre

“0%”

per cent.

An exchange rate of US\$1.00 to HK\$7.80 has been adopted in this announcement for illustration purposes.

For and on behalf of the Board
Kam Hing International Holdings Limited
Tai Chin Chun
Chairman

Hong Kong, 6 September, 2018

As at the date hereof, the Board comprises Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk, and Mr. Chong Chau Lam as executive Directors; Dr. Wong Wai Kong as non-executive Director; and Mr. Ho Gilbert Chi Hang, Mr. Ting Kay Loong and Mr. Wu Tak Lung as independent non-executive Directors.