

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03828)

**ENTERING INTO THE STRUCTURED DOCUMENTS,
FULFILLMENT OF CERTAIN CONDITIONS PRECEDENTS,
AND FURTHER INFORMATION ON
(1) ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN,
AND THE SALE LOAN DUE BY, THE TARGET COMPANY;
AND
(2) ACQUISITION OF LAND AND PROPERTIES IN CAMBODIA**

INTRODUCTION

Reference is made to the announcement (the “**Announcement**”) of Ming Fai International Holdings Limited (the “**Company**”) dated 22 October 2017 relating to, among other things, (i) the acquisition of the entire issued share capital in, and the Sale Loan due by, the Target Company; and (ii) the acquisition of a land parcel (the “**Land**”) located in Cambodia and the properties on the Land. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The purpose of this announcement is to (i) update the Shareholders and potential investors of the Company of the progress of the Acquisitions; and (ii) provide further information on the Acquisitions.

ENTERING INTO OF THE STRUCTURED DOCUMENTS

The Board is pleased to announce that the Landholding Company has been incorporated under the laws of Cambodia and owned as to 49% by the Purchaser and 51% by the Local Partner.

The Local Partner is an assistant solicitor of the Cambodia legal advisers to the Company, who is a Cambodian citizen and an Independent Third Party. The Company selected him to be the local partner due to his independence and the Cambodia legal advisers’ expertise in the laws and regulations of Cambodia.

* *For identification purpose only*

In order to set up the VIE Structure, the Purchaser and the Local Partner have entered into a series of Structured Documents in respect of the Landholding Company, details of which are as follows:

(1) Loan agreement (the “Loan Agreement”)

Date: 9 January 2018

Parties: The Purchaser as lender; and
the Local Partner as borrower

Term: From the date of signing of the Loan Agreement throughout the period of validity or the term of the Landholding Company and up until the time when the Loan Agreement is terminated

Loan amount and interest: US\$510 on an interest-free basis

Use of loan: For the sole purpose of making the subscription payment to the Landholding Company as the share contribution of the 51% shareholding held by the Local Partner in the Landholding Company

Repayment: The Local Partner shall only repay the loan, including any, taxes, charges, indemnities, fees, costs and any expenses and all obligations and liabilities in relation to the loan to the Purchaser (the “**Indebtedness**”) by way of transferring of the 510 ordinary shares equivalent to 51% of the total registered share capital of the Landholding Company held by the Local Partner, and any and all shares held by the Local Partner which accounts for 51% of the total registered share capital of the Landholding Company (the “**Relevant Shares**”) to the Purchaser or to any other person to be designated by the Purchaser.

For the purpose of the repayment of the Indebtedness, the Local Partner undertakes to do all things necessary to affect the transfer of the Relevant Shares and to register such Relevant Shares in the name of the Purchaser or any of its appointees no later than 30 (thirty) business days from the date of the repayment.

(2) Power of attorney and proxy (the “POA”)

Date: 9 January 2018

Parties: The Local Partner;
the Landholding Company; and
the Company

Term: For one year from the date of the POA and renewable automatically

Scope: The Local Partner has granted a general and irrevocable power of attorney and proxy to the Directors and their successors (including a liquidator replacing the Directors) (the “Attorneys”) over all business activities concerning and all his rights as a shareholder of the Landholding Company and has given the Attorneys the authority to deal with all aspects of the management and operations of the Landholding Company including, but not limited to, the disposition or acquisition of assets, appointment of officers and employees, day-to-day business decisions, maintenance of records, declaration of profits, voting his shares as his proxy at any shareholders’ meeting and board meeting, signing minutes, filing documents with the relevant companies registry, and all other issues concerning the Landholding Company, and, for and on behalf of the Purchaser, to receive all dividends or profits declared to him as a shareholder of the Landholding Company.

(3) Blank shareholders’ resolution

The Local Partner has pre-signed and thumb-printed a blank shareholders’ resolution for the approval of the disposal of any immovable property(ies) of the Landholding Company.

(4) Blank share transfer documents

The Local Partner has pre-signed the blank share transfer documents that can be completed and filed with the MOC in relation to the Relevant Shares in the Landholding Company held by the Local Partner.

(5) Share pledge agreement (the “Share Pledge Agreement”)

Date: 9 January 2018

Parties: The Purchaser as pledgee; and
the Local Partner as pledgor

Security: The Local Partner pledged the Relevant Shares, including all dividends, interest or other income, paid or payable after the date of the Share Pledge Agreement in respect of any of the Relevant Shares, together with any and all rights and benefits that have been created or exist with respect to the Relevant Shares or any other shares in the Local Partner or any other device in the nature of a security issued or suffered by the Local Partner, as security to guarantee the performance of the obligations and liabilities which is owing to the Purchaser by the Local Partner pursuant to the Loan Agreement.

The Local Partner has undertaken not to dispose, transfer or otherwise encumber any right attaching to shares which are pledged as Relevant Shares without prior written approval from the Purchaser.

(6) Contract of indemnification

Date: 9 January 2018

Parties: The Local Partner;
the Landholding Company;
the Purchaser; and
the Company

Indemnification: The Landholding Company, the Purchaser and the Company agreed to (i) indemnify and hold the Local Partner free from any debts, responsibilities, liabilities, loss, claims and damages of the Landholding Company, the Purchaser and the Company; (ii) indemnify the Local Partner for any illegal or negligent actions on the part of the Landholding Company, the Purchaser and the Company or their employees; and (iii) hold him free from all responsibility or liability in any litigation concerning the Landholding Company's, the Purchaser's and the Company's activities during the subsistence and validity of the POA, Loan Agreement and Share Pledge Agreement.

(7) Shareholders' agreement

Date: 9 January 2018

Parties: The Purchaser; and
the Local Partner

Major terms: The Purchaser and the Local Partner agreed on the rights and obligations of them as shareholders of the Landholding Company and also, restrictions against the Local Partner with respect of, among other things, the disposal of the Relevant Shares, distribution of dividends and management and operation of the Landholding Company.

As advised by the Cambodia legal advisers to the Company, under the Structured Documents, the Purchaser may enforce the loan and require the transfer of the Relevant Shares back to the Purchaser or its appointee at any time prior to the end of the term of the Structured Documents, such term starts from the signing date of the Structured Documents until the termination of the Structured Documents. Please note however that, due to the Foreign Ownership Restrictions, it is currently not possible for the Purchaser to require the transfer of the Relevant Shares back to the Purchaser. As an alternative, the Purchaser may appoint a third party who is not subject to the Foreign Ownership Restrictions to purchase the Relevant Shares and receive proceeds of the sale as the repayment of the loan on its behalf, and instruct the Local Partner to transfer the Relevant Shares to such appointed third party or seek for force-sale of the Relevant Shares through court auction.

As advised by the Cambodia legal advisers to the Company, if the Local Partner sells the Relevant Shares without seeking prior approval from the Purchaser, the Purchaser may foreclose the Relevant Shares by way of force-sale of the pledged shares through court auction and winning the auction as the Purchaser would have filed its security interest with the Secured Transaction Filing Office and it will be ranked on top in the priority amongst secured creditors.

The Cambodian legal advisers to the Company have also confirmed that the arrangement contemplated by the Structured Documents (i) does not violate the Foreign Ownership Restrictions; (ii) does not constitute a breach to the laws and regulations of Cambodia which prohibit foreign companies to directly or indirectly own land and real properties; and (iii) will not be deemed as concealing illegal intentions with a lawful form which would constitute a breach of laws and regulations prohibiting foreign ownership.

With the VIE Structure in place, the auditors of the Company have agreed, upon completion of the Acquisitions, the financial results of the Landholding Company will be consolidated into the Group.

FULFILMENT OF CERTAIN CONDITIONS PRECEDENTS

The Board is pleased to announce that, as at the date of this announcement, certain conditions precedent to the Share Acquisition Completion have been fulfilled, including (i) the Purchaser having obtained of a Cambodian legal opinion (in form and content which is reasonably satisfactory to the Purchaser) that the Share Acquisition Agreement is valid and legally binding; and (ii) the execution by the parties of the Supplemental Agreement.

Furthermore, as at the date of this announcement, certain conditions precedent to the Land Acquisition Completion have also been fulfilled, including (i) the Purchaser having obtained of a Cambodian legal opinion (in form and content which is reasonably satisfactory to the Purchaser) regarding the legality and the validity of the Land Acquisition Agreement; (ii) the completion of the Sub-Division regarding the Land and Properties; and (iii) the Purchaser having obtained a valuation report in the form and substance reasonably satisfactory to the Purchaser showing the valuation of the Land and Properties to be not less than US\$3,500,000.

The completion of the Acquisitions is subject to and conditional upon the fulfilment (or waiver, as the case may be) of all the conditions precedent. The Group will continue to use its best endeavors to procure the fulfilment of the remaining conditions precedent to the Share Acquisition and Land Acquisition.

Further announcement(s) will be made by the Company as and when necessary.

FURTHER INFORMATION ON THE ACQUISITIONS

The Board would like to provide further information on the Acquisitions to the Shareholders and potential investors of the Company.

The employees and equipment of the Target Company are specialised in/designed for the production of handbags, which are similar to the production process of amenity bags, travel kits and terry slippers for airline operators and hotels in the course of the hospitality supplies business, being one of the principal businesses of the Group. The Board considers the employees and equipment of the Target Company can complement product scenarios of the Group and enhance productivity of the Group's hospitality supplies business.

The net assets value of Target Company as at 31 August 2017 of approximately US\$215,700 is net of the Sale Loan of approximately US\$3,546,300. As the Sale Loan will be assigned to the Purchaser under the Share Acquisition Agreement, the Directors consider that the consideration of US\$3,500,000, being lower than the net assets value of the Target Company (after adjustment of the Sale Loan as at 31 August 2017) of approximately US\$3,762,100 is fair and reasonable.

The valuation of the 100% issued share capital of the Target Company of approximately US\$3,500,000 was assessed by an independent valuer based on market approach, which was determined by reference to the median price-to-net book value ratio of a number of selected listed companies in Hong Kong principally with similar business model as that of the Target Company. The valuation implies a price-to-net book value ratio of approximately 0.96 times net book value of the Target Company as at 31 August 2017 (before deducting the Sale Loan).

As advised by the independent valuer, the principal assumptions applied in the valuation are:

- (1) the selected comparable companies share sufficient similarities to the underlying business of the Target Company so as to provide a meaningful comparison;
- (2) the median multiple assumed to reflect a fair and objective market expectation on the industry;
- (3) the performance of the Target Company is expected not significantly deviate from the performance of its industry peers;
- (4) the net asset value determined to be an appropriate indicator for assessing the economic value driver of typical capital intensive manufacturing-based business;

- (5) there would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in jurisdiction(s) where the Target Company would concern;
- (6) there would be no significant deviation in the industry trends and market conditions from the current market expectation;
- (7) there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- (8) there would be no major change in the current taxation law in jurisdiction(s) where the Target Company and the comparable companies were operated;
- (9) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and
- (10) the Target Company will retain competent management, key personnel, and technical staff to support the ongoing business operations.

Taking into account, among others, the fact that the employees and equipment of the Target Company are well trained/designed for the production of hospitality supplies or similar products, and that the Share Acquisition Completion and the Land Acquisition Completion are part and parcel and are inter-conditional with each other, the Board considers that the Acquisitions represent a good investment opportunity for the Group while at the same time be able to meet its production facility requirement. Therefore, the Board considers the Acquisitions are in the interest of the Company and the Shareholders as a whole.

By order of the Board
Ming Fai International Holdings Limited
CHING Chi Fai
Chairman

Hong Kong, 19 January 2018

As at the date of this announcement, the executive directors of the Company are Mr. CHING Chi Fai, Mr. CHING Chi Keung, Mr. LIU Zigang, Mr. CHING Tsun Wah and Mr. KEUNG Kwok Hung; the non-executive director of the Company is Ms. CHAN Yim Ching; and the independent non-executive directors of the Company are Mr. HUNG Kam Hung Allan, Mr. MA Chun Fung Horace, Mr. NG Bo Kwong and Mr. SUN Yung Tson Eric.