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CONNECTED TRANSACTIONS

LEASE OF LAND AND PROPERTIES IN CAMBODIA

THE 2024 LEASE AGREEMENTS

On 11 December 2023, MFEC and Teng Xun (both wholly-owned subsidiaries of the Company) and the Landholding Company entered into the 2024 Lease Agreements, under which the Landholding Company agreed to lease the Leased Land and Properties to MFEC and Teng Xun upon the terms and conditions under the respective agreement.

The Leased Land and Properties consist of land and buildings located in the Samroung Tong District, Kampong Speu Province, Cambodia, and are used by the Group as its operational premises.

The 2024 Lease Agreements will become effective on 1 January 2024 and shall expire on 31 December 2025.

LISTING RULES IMPLICATIONS

Since under the New Structured Documents, the Landholding Company is held by Mr. CHING TW as to 51%, the Landholding Company is a connected person. Accordingly, the entering into of the 2024 Lease Agreements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. Since the 2024 Lease Agreements are entered into within 12 months of each other, they are required to be aggregated for the purpose of determining the Listing Rules implications under Rule 14.22 and Rule 14A.81 of the Listing Rules.

* *For identification purpose only*

Pursuant to HKFRS 16 (Leases), the 2024 Lease Agreements will be recognised by MFEC and Teng Xun as right-of-use assets with an aggregate amount (inclusive of VAT and other applicable taxes) of approximately US\$2,499,000, and the leasing will be regarded as an addition of right-of-use assets by the Lessees.

Shareholders should note that the above aggregate amount is unaudited and may be subject to adjustment in the future. The right-of-use assets represent the Lessees' rights to use the Leased Land and Properties over the lease term, and the leased liability represents the obligation of the Lessees to make lease payments (i.e., the rent). The asset and the liability arising from the Leases are initially measured on present value basis and calculated by discounting the lease payments under the Leases, using the incremental borrowing rate as the discount rate.

As one or more of the applicable percentage ratios in respect of the aggregated amount of the right-of-use assets to be recognised by the Lessees in connection with the 2024 Lease Agreements exceeds 0.1% but all of them are less than 5.0%, the 2024 Lease Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 16 June 2021 in relation to the change of local partner in VIE structure and the entering into of the New Structured Documents (the “**Announcement**”). Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

On 11 December 2023, MFEC and Teng Xun (both wholly-owned subsidiaries of the Company) and the Landholding Company entered into the 2024 Lease Agreements, under which the Landholding Company agreed to lease the Leased Land and Properties to MFEC and Teng Xun upon the terms and conditions under the respective agreement. The 2024 Lease Agreements will become effective on 1 January 2024, superseding all existing leases between the Lessor and Lessees on the same day, and shall expire on 31 December 2025.

The Leased Land and Properties consist of land and buildings located in the Samroung Tong District, Kampong Speu Province, Cambodia and are used by the Group as its operational premises. The following table presents a summary of the key terms of the 2024 Lease Agreements.

PRINCIPAL TERMS OF THE 2024 LEASE AGREEMENTS

Date:	11 December 2023
Parties:	(1) The Landholding Company (as the lessor) (2) MFEC (as a lessee) (3) Teng Xun (as a lessee)
Term:	Commencing on 1 January 2024 and remaining effective up to and inclusive of 31 December 2025. Any party may terminate an individual Lease prior to the expiry of its term by serving a notice of not less than one month to the other party(ies).
Number of Leases:	A total number of two Leases have been entered into with respect to the lease of the Leased Land and Properties under the 2024 Lease Agreements.
Subject matter of the Leases:	The Leased Land and Properties comprising 73,527.78 square metres of land, and 35,770.89 square metres of building floor area
Use:	Production facilities, office premises, warehouses, function rooms, dormitories and employee canteens
Monthly rental for the Leased Land and Properties:	US\$111,485.10 in aggregate per month (inclusive of VAT and other applicable taxes) with the rental rate of leased land being US\$0.6 per square metre, while the rental rate of leased land with building being US\$1.6 per square metre
Basis for determining rent:	The rental rates have been determined with reference to the market value of rent for land and properties of equivalent sizes and within close proximity to the Leased Land and Properties and an opinion of rent by an independent valuer with an assessment date of 30 November 2023.
Rent payment arrangement:	Payable monthly by the 15th day of each calendar month, with a two-month rental deposit to be paid by the Lessees to the Landholding Company

The monthly rentals were agreed between the Lessor and the Lessees after taking into consideration:

- (1) the opinion of rent by an independent valuer with an assessment date of 30 November 2023, based on the market value rent for land and properties of comparable sizes within close proximity to the Leased Land and Properties;
- (2) the “basis for determining rent” as mentioned in the section “Principal Terms of the 2024 Lease Agreements” above;

- (3) the expected operation needs of the Group for the Leased Land and Properties for the term of the 2024 Lease Agreements; and
- (4) increase in rent due to inflationary pressures.

Historically, the Group also leased land and properties from the Landholding Company within the same Samroung Tong District, and the Group (including the Landholding Company) intends to continue with the leasing arrangement. The currently in-force leases were also previously accounted for as right-of-use assets prior to and after the entering into of the New Structured Documents, and the 2024 Lease Agreements would supersede all existing leases between the Lessor and Lessees on 1 January 2024.

For the year ended 31 December 2022, the aggregate annual rent (inclusive of VAT and other applicable taxes) that was paid for leasing land and properties from the Landholding Company by the Lessees were US\$747,681.24. For the year ending 31 December 2023, the aggregate annual rent (inclusive of VAT and other applicable taxes) that the Lessees will pay to the Landholding Company is estimated to be US\$763,587.21.

There is a notable increase in the monthly rent per square metre that will be payable for leasing the Leased Land and Properties under the 2024 Lease Agreements, which is primarily due to an increase in rental rates in the vicinity of the Leased Land and Properties and an opinion of rent by an independent valuer with an assessment date of 30 November 2023, which had the effect of bringing the monthly rent per square metre payable to be more closely-matched with the market rate of leases in the vicinity of the Leased Land and Properties.

The rent to be paid for the Leases will be settled using the Group's internal resources.

REASONS AND BENEFITS FOR THE LEASES

The Group has been promoting the construction of supply chain in Cambodia, and the Lessees are primarily engaged in manufacturing and trading of hospitality supplies products and trading of operating supplies and equipment. It is the intention of the Group to continue to develop its manufacturing capabilities through expanding its operations in Cambodia.

As disclosed in the Announcement, the arrangements under the New Structured Documents was for the purpose of conferring the Landholding Company the right to legally hold the land for the benefit of its shareholders, with such control and economic benefits from the Landholding Company (including the land and properties held by the Landholding Company) being passed back ultimately to the Company through (a) Ming Fai Holdings, a wholly-owned subsidiary of the Company holding 49% of the Landholding Company, and (b) Mr. CHING TW, who holds an 51% interest in the Landholding Company as the legal owner with the beneficial interest being owned by the Company pursuant to the New Structured Documents. As disclosed in the Announcement, the Landholding Company is regarded as if it was a subsidiary of the Company and its financial results are accounted for and consolidated in the accounts of the Group, and therefore the right-of-use assets recognised by the Lessees and the lease payments that the Landholding Company receives will be eliminated on consolidation of the Group's financial statements.

However, and notwithstanding the above, by virtue of Mr. CHING TW being an executive Director, the Landholding Company is a connected person of the Company, and therefore the 2024 Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Historically, the Lessees have been leasing land and properties from the Landholding Company to use as production facilities, office premises, warehouses, function rooms, dormitories and employee canteens, and the Group intends to continue with this leasing arrangement through the entering into of the 2024 Lease Agreements and leasing the Leased Land and Properties. The Directors consider that by continuing its operations on the Leased Land and Properties, the Lessees can avoid incurring removal fees, renovation fees and other incidental costs and expenses for sourcing new premises for its operations and moving into new premises.

The Directors confirm that the terms of the 2024 Lease Agreements have been entered into after negotiations between the Lessees and the Lessor after taking into account factors (including without limitation the New Structured Documents) as mentioned above.

In view of the matters disclosed in this announcement, the Directors (including the independent non-executive Directors) are of the view that the 2024 Lease Agreements have been entered into in the ordinary and usual course of business of the Group, the terms of the 2024 Lease Agreements and the basis for calculating the rent payable are on normal commercial terms and are fair and reasonable, and the entering into of the 2024 Lease Agreements and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE LESSEES AND THE LANDHOLDING COMPANY

The Company is an investment holding company. The subsidiaries of the Company are primarily engaged in the manufacturing and trading of hospitality supplies products, trading of operating supplies and equipment, and manufacturing and trading of health care and hygienic products. Both the Lessees are wholly-owned subsidiaries of the Company, and they are primarily engaged in manufacturing and trading of hospitality supplies products and trading of operating supplies and equipment in Cambodia.

The Landholding Company is a private limited company incorporated under the laws of Cambodia, which is owned as to 49% by Ming Fai Holdings, a wholly-owned subsidiary of the Company, and is legally owned as to 51% by Mr. CHING TW, with the beneficial interest being owned by the Company under the New Structured Documents. The Landholding Company, through the New Structured Documents, is regarded as if it was a subsidiary of the Company and its financial results are accounted for and consolidated in the accounts of the Group.

The Landholding Company is not engaged in any business activities other than holding a land parcel and the properties on the land parcel and for property investment, and it is the legal owner of (among other things) the Leased Land and Properties.

IMPLICATIONS UNDER THE LISTING RULES

Since under the New Structured Documents, the Landholding Company is held by Mr. CHING TW as to 51%, the Landholding Company is a connected person. Accordingly, the entering into of the 2024 Lease Agreements constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. Since the 2024 Lease Agreements are entered into within 12 months of each other, they are required to be aggregated for the purpose of determining the Listing Rules implications under Rule 14.22 and Rule 14A.81 of the Listing Rules.

Pursuant to HKFRS 16 (Leases), the 2024 Lease Agreements will be recognised by MFEC and Teng Xun as right-of-use assets with an aggregate amount (inclusive of VAT and other applicable taxes) of approximately US\$2,499,000, and the leasing will be regarded as an addition of right-of-use assets by the Lessees.

Shareholders should note that the above aggregate amount is unaudited and may be subject to adjustment in the future. The right-of-use assets represent the Lessees' rights to use the Leased Land and Properties over the lease term, and the leased liability represents the obligation of the Lessees to make lease payments (i.e., the rent). The asset and the liability arising from the Leases are initially measured on present value basis and calculated by discounting the lease payments under the Leases, using the incremental borrowing rate as the discount rate.

As one or more of the applicable percentage ratios in respect of the aggregated amount of the right-of-use assets to be recognised by the Lessees in connection with the 2024 Lease Agreements exceeds 0.1% but all of them are less than 5.0%, the 2024 Lease Agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. CHING TW, the executive Director, legally owns 51% of the Landholding Company under the New Structured Documents, Mr. CHING Chi Fai, Mr. CHING Chi Keung, both being executive Directors and Ms. CHAN Yim Ching, the non-executive Director, together with concert parties interested in approximately 31.34% of the Shares, they are deemed to have a material interest in the 2024 Lease Agreements. Therefore, Mr. CHING TW, Mr. CHING Chi Fai, Mr. CHING Chi Keung and Ms. CHAN Yim Ching had abstained from the voting on the relevant Board resolutions approving the 2024 Lease Agreements.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, capitalised terms used herein shall have the following meanings:

“2024 Lease Agreements” the individual leases entered into by either Teng Xun or MFEC (as lessee) and the Landholding Company (as lessor) in respect of the rental of the Leased Land and Properties;

“Board” the board of Directors;

“Cambodia”	the Kingdom of Cambodia;
“Company”	Ming Fai International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning as ascribed to this term under the Listing Rules;
“Directors”	directors of the Company;
“MFEC”	Ming Fai Enterprise (Cambodia) Co., Ltd., a private limited company incorporated under the laws of Cambodia and a wholly-owned subsidiary of the Company;
“Ming Fai Holdings”	Ming Fai Holdings Limited, a private limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Mr. CHING TW”	Mr. CHING Tsun Wah, an executive Director and the legal owner of 51% equity interest of the Landholding Company under the New Structured Documents;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Landholding Company” or “Lessor”	Ming Fai Quality Amenities (Cambodia) Co., Ltd., a private limited company incorporated under the laws of Cambodia which is held by Ming Fai Holdings as to 49% and Mr. CHING TW as to 51%, by virtue of the New Structured Documents, the Company being able to exercise control over the operations of the Landholding Company and enjoy the economic benefits in the land and properties held by it;
“Leased Land and Properties”	the land and properties located at Veal Vong Village, Sen Dei Commune, Samroung Tong District, Kampong Speu Province, Cambodia to be leased;
“Lease(s)”	individual lease(s) that form part of the 2024 Lease Agreements;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lessees”	MFEC and Teng Xun;
“New Structured Documents”	contract documents entered into between the Group and Mr. CHING TW for the purpose of providing the Company with effective control over the operations of the Landholding Company and enjoy the economic benefits of the land and properties held by the Landholding Company. For further details, please refer to the announcement of the Company dated 16 June 2021;
“Shares”	the ordinary share(s) of HK\$0.01 each in the issued share capital the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Teng Xun”	Teng Xun Limited, a private limited company incorporated under the laws of Cambodia and a wholly-owned subsidiary of the Company;
“US\$”	United States dollars, the lawful currency of the United States of America;
“VAT”	value-added tax; and
“%”	per cent.

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

Hong Kong, 11 December 2023

As of the date of this announcement, the executive Directors 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 is Ms. CHAN Yim Ching; and the independent non-executive Directors are Mr. HUNG Kam Hung Allan, Mr. NG Bo Kwong and Mr. SUN Eric Yung Tson and Mr. KWONG Tony Wan Kit.