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HUAJIN INTERNATIONAL HOLDINGS LIMITED

華津國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2738)

DISCLOSEABLE TRANSACTION

CONSTRUCTION CONTRACT A

The Board is pleased to announce that, on 5 October 2018, Jiangmen Huajin, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into Construction Contract A. Pursuant to Construction Contract A, Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting service for machine foundations in the new manufacturing plant of the Group located at Gujing Town. The contract price payable by Jiangmen Huajin under Construction Contract A shall be approximately RMB35,100,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract A.

LISTING RULES IMPLICATIONS

As Previous Transactions between the Group and the Contractor were entered into within a 12-month period prior to the date of Construction Contract A, the transactions contemplated under Construction Contract A and Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios (as defined under the Listing Rules) to determine the classification of the transactions pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules. Accordingly, as the applicable percentage ratios, when aggregated, exceed 5% but are less than 25%, the transactions contemplated under Construction Contract A and Previous Transactions constitute a discloseable transaction of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 5 October 2018, Jiangmen Huajin, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into Construction Contract A. Pursuant to Construction Contract A, Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting service for machine foundations in the new manufacturing plant of the Group located at Gujing Town.

A. CONSTRUCTION CONTRACT A

Principal terms of Construction Contract A are as follows:

Date

5 October 2018

Parties

- Jiangmen Huajin, an indirect wholly-owned subsidiary of the Company, and
- the Contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are parties independent of and not connected with the Company and its connected persons.

Scope of contracting works

The Contractor has agreed to provide construction contracting services for machine foundations in the new manufacturing plant of the Group located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under Construction Contract A shall be approximately RMB35,100,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract A.

Construction period

Pursuant to Construction Contract A, the construction works is to be completed within 120 days starting from the commencement date of the construction works as informed by Jiangmen Huajin.

Warranties

The Contractor shall provide warranty of the quality in respect of the construction works (other than the damages caused by human factors or force majeure) covered under Construction Contract A. The warranty period of the construction works under Construction Contract A is a period of 12 months after the relevant construction works is completed and accepted by both parties.

B. Previous Transactions

Previous Transactions, which were entered into between the Group and the Contractor within a 12-month period prior to the date of Construction Contract A, are as follows:

(i) CONSTRUCTION CONTRACT B

Principal terms of Construction Contract B are as follows:

Date

20 August 2018

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for workshop No.1, workshop No.2 (phase 1), workshop No.2 (phase 2), office building, dormitory buildings and high-voltage switchyard in the new manufacturing plant of Jiangmen Huajin located at Gujing Town.

The gross area of the construction is a total of 86,431.04 sq. m. including 40,415.08 sq. m. for workshop No. 1, 35,164.44 sq. m. for workshop No. 2 (phase 1), 4,953.52 sq. m. for workshop No. 2 (phase 2), 861.85 sq. m. for office building, 4,912.95 sq. m. for dormitory buildings, and 123.20 sq. m. for high-voltage switchyard.

Contract price

The contract price payable by Jiangmen Huajin under Construction Contract B shall be approximately RMB76,141,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract B.

Construction period

Pursuant to Construction Contract B, the construction period is 242 days starting from 1 September 2018 and ending on 30 April 2019.

Warranties

Other than the damages caused by human factors or force majeure, the Contractor shall provide warranty of the quality in respect of the relevant construction works as follows-

- foundation basis construction and main structure construction: reasonable useful life
- roofing waterproof works, lavatories with waterproof requirement, rooms and impermeable external walls: 5 years
- electrical lines, water supply and drainage pipes and equipment installation works: 2 years
- renovation works: 2 years

Progress of the construction works

The construction works is in progress.

(ii) CONSTRUCTION CONTRACT C

Principal terms of Construction Contract C are as follows:

Date

8 June 2018

Parties

- Jiangmen Huamu, an indirect wholly-owned subsidiary of the Company, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for electrical distribution room, workshop No.4 (phase 2), and workshop No.5 (namely, the galvanizing production line) (phase 2) in the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town.

The gross area of the construction is a total of 7,690.14 sq. m. including 776.44 sq. m. for electrical distribution room, 5,496.70 sq. m. for workshop No.4 (phase 2), and 1,417.00 sq. m. for workshop No. 5 (phase 2).

Contract price

The contract price payable by Jiangmen Huamu under Construction Contract C shall be approximately RMB8,329,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract C.

Construction period

Pursuant to Construction Contract C, the construction period is 180 days starting from 13 June 2018 and ending on 9 December 2018.

Warranties

Other than the damages caused by human factors or force majeure, the Contractor shall provide warranty of the quality in respect of the relevant construction works as follows-

- foundation basis construction and main structure construction: reasonable useful life
- roofing waterproof works, lavatories with waterproof requirement, rooms and impermeable external walls: 5 years
- electrical lines, water supply and drainage pipes and equipment installation works: 2 years
- renovation works: 2 years

Progress of the construction works

The construction works is in progress.

(iii) CONSTRUCTION CONTRACT D

Principal terms of Construction Contract D are as follows:

Date

27 March 2018

Parties

- Jiangmen Huamu, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for rolling mill foundations in workshop No.4 (phase 2) of the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town.

Contract price

The contract price payable by Jiangmen Huamu under Construction Contract D shall be approximately RMB7,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract D.

Construction period

Pursuant to Construction Contract D, the construction works is to be completed within 150 days starting from the commencement date of the construction works as informed by Jiangmen Huamu.

Warranties

The Contractor shall provide warranty of the quality in respect of the construction works (other than the damages caused by human factors or force majeure) covered under Construction Contract D. The warranty period of the construction works under Construction Contract D is a period of 12 months after the relevant construction works is completed and accepted by both parties.

Progress of the construction works

The construction works is nearing completion.

(iv) CONSTRUCTION CONTRACT E

Principal terms of Construction Contract E are as follows:

Date

14 December 2017

Parties

- Jiangmen Huamu, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for sewage pipeline works in the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town.

Contract price

The contract price payable by Jiangmen Huamu under Construction Contract E shall be approximately RMB262,000 (inclusive of VAT), subject to adjustment pursuant to the terms of Construction Contract E.

Construction period

Pursuant to Construction Contract E, the construction works is to be completed within 45 days starting from the commencement date of the construction works as informed by Jiangmen Huamu.

Warranties

The Contractor shall provide warranty of the quality in respect of the construction works (other than the damages caused by human factors or force majeure) covered under Construction Contract E. The warranty period of the construction works under Construction Contract E is a period of 24 months after the relevant construction works is completed and accepted by both parties.

Progress of the construction works

The construction works is completed.

C. BASIS OF THE CONTRACT PRICE AND PAYMENT TERMS OF CONSTRUCTION CONTRACT A AND PREVIOUS TRANSACTIONS

Each of the contract price, subject to adjustment, under Construction Contract A and Previous Transactions is determined after arm's length negotiations with reference to the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out the construction works of comparable scale and complexity in accordance with the relevant rules and regulations applicable to Jiangmen City.

Each of the contract price, subject to adjustment, under Construction Contract A and Previous Transactions shall be payable in stages based on the progress of each relevant construction works. Each of the contract price under Construction Contract A and Previous Transactions is calculated based on the settlement amount stated in their settlement report. The contract price will be calculated according to the actual work completed with reference to the pricing of the items in respect of the construction works as set out in each of Construction Contract A and Previous Transactions, the applicable prices as stipulated under Rules for Price Calculation of Construction Works, Guangdong Province (2010)*《廣東省建築工程計價通則(2010年)》, Comprehensive Norm of Guangdong Provincial Construction and Decoration Projects (2010)*《廣東省建築與裝飾工程綜合定額(2010年)》, Code of Valuation with Bill Quantity of Construction Works (GB50500—2013)*《建設工程工程量清單計價規範(GB50500-2013)》and the valuation process issued by Jiangmen Municipal Engineering Cost Management Station* (江門市建設工程造價管理站). The cost of materials will be calculated by reference to the average unit cost of material consumed as quoted from Jiangmen Municipal Construction Engineering Price Information*《江門市建築工程價格信息》during the construction period and, if the price for similar material is not available, the prevailing market prices of the material as reviewed and confirmed by both parties.

The progress billings under each of Construction Contract A and Previous Transactions will be made based on the progress of the relevant construction works and the progress payment will not be billed in excess of 80%, subject to mutual agreement between the parties, of the contract price of the relevant construction works at the point of completion of the relevant construction works. After the completion and passing of inspection of the relevant construction works by both parties, the Group will settle the balance payment of the final settlement of the relevant construction works upon confirming the total value of each relevant construction works by both parties and receiving full VAT invoice(s) from the Contractor.

As at the date of this announcement, the Group has paid or prepaid the following amount to the Contractor for Construction Contract A and Previous Transactions:

Construction Contract A	RMB18,000,000
Construction Contract B	RMB40,840,000
Construction Contract C	RMB2,942,000
Construction Contract D	RMB5,350,000
Construction Contract E	RMB248,900

The contract price payable under Construction Contract A and Previous Transactions will be financed by the Group's internal resources and/or borrowings.

INFORMATION ON THE GROUP

The Company is an investment holding company and the Group is a leading cold-rolled steel processor in Guangdong Province, the PRC. The Group is principally engaged in processing of hot-rolled steel coils into cold-rolled steel products and galvanized steel products customised to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/bicycle accessories, LED and lighting. The Group provides processing, cutting, slitting, warehousing and delivery services on customized cold-rolled steel products and galvanized steel products.

INFORMATION ON THE CONTRACTOR

The Contractor is a limited liability company established in the PRC. The Contractor is a professional contractor principally engaged in the provision of various main contracting services including the construction and building of various types of foundations, housings and architectural structures, the installation of various types of electrical projects, roads, water resource and utility works, etc.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

REASONS FOR AND BENEFITS OF CONSTRUCTION CONTRACT A AND PREVIOUS TRANSACTIONS

Reference is made to the Company's announcement dated 17 May 2017 in relation to, among others, the purchase of single stand 6-high reversing cold mill. The single stand 6-high reversing cold mill is being installed in the Group's existing manufacturing plant at workshop No.4 (phase 2). The single stand 6-high reversing cold mill, with an annual production capacity of approximately 250,000 tonnes, is designed for the processing of a wide variety of steel products for maximum strip widths of 1,320 mm and thickness between 0.2 mm and 2.0 mm.

The construction works for electrical distribution room, workshop No.4 (phase 2), additional manufacturing space at workshop No. 5 (phase 2) mainly used by the existing galvanizing production line, and the nearby sewage pipeline works will be completed by the end of 2018. The single stand 6-high reversing cold mill is targeted to commence commercial production in the first quarter of 2019 and it will be able to increase the efficiency and flexibility in the Group's production process. The cold-rolled steel strips and sheets produced from the single stand 6-high reversing cold mill with further processing process could also provide a stable supply of raw materials used for the galvanizing production line at workshop No.5 nearby.

Reference is also made to the Company's announcement dated 27 December 2017 in relation to the acquisition of Gujing Town Land Use Rights. As disclosed in the annual report of the Company for the year ended 31 December 2017 and the interim report of the Company for the six months ended 30 June 2018, it is the business strategies of the Group to increase production capacity by expanding the manufacturing facilities in the new manufacturing plant of the Group located at Gujing Town to further the Group's business development in the future.

With the view to catch up with the development and construction of the Greater Guanghai Bay Economic Zone* (大廣海灣經濟區) as supported by the local government of Jiangmen City, in addition to the Group's existing manufacturing plant at Muzhou Town, the Company decided to invest in the construction of the production lines at the new manufacturing plant of the Group located at Gujing Town. According to the planning of the Group's new manufacturing plant, the cold-rolled production lines and the galvanizing production line will have an annual production capacity of approximately 600,000 tonnes and 350,000 tonnes, respectively. The cold-rolled steel strips and sheets up to a maximum of approximately 350,000 tonnes produced from the cold-rolled production lines annually could also provide a stable supply of raw materials used for the new galvanizing production line. The new manufacturing plant under construction will enter into the trial run production around the Chinese New Year of 2019 and it is expected to commence commercial production in the second quarter of 2019. It is expected that the production capacity and operation efficiency of the Group's existing and new manufacturing plants will be increased to promote the long term development of the Group.

The Directors consider that Construction Contract A and Previous Transactions are entered into on normal commercial terms after arm's length negotiation, and the terms of which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The contract price payable under Construction Contract A and Previous Transactions will be financed by the Group's internal resources and/or borrowings.

Below are the pictures of workshop No.4 (phase 2) in the existing manufacturing plant located at Muzhou Town and the new manufacturing plant located at Gujing Town:



Picture 1 : workshop No.4 (phase 2) in the existing manufacturing plant located at Muzhou Town



Picture 2 : installation of the single stand 6-high reversing cold mil at workshop No.4 (phase 2)



Picture 3 : Gujing Town Land Use Rights



Picture 4 : the layout of new manufacturing plant located at Gujing Town

LISTING RULES IMPLICATION

As Previous Transactions between the Group and the Contractor were entered into within a 12-month period prior to the date of Construction Contract A, the transactions contemplated under Construction Contract A and Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios (as defined under the Listing Rules) to determine the classification of the transactions pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules. Accordingly, as the applicable percentage ratios, when aggregated, exceed 5% but are less than 25%, the transactions contemplated under Construction Contract A and Previous Transactions constitute a discloseable transaction of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Huajin 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(s)”	has the same meaning ascribed to it under the Listing Rules
“Construction Contract A”	the construction contract dated 5 October 2018 entered into between Jiangmen Huajin and the Contractor and pursuant to which Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting services for machine foundations in the new manufacturing plant of Jiangmen Huajin located at Gujing Town with the contract price of approximately RMB35,100,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract B”	the construction contract dated 20 August 2018 entered into between Jiangmen Huajin and the Contractor and pursuant to which Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting services for workshop No.1, workshop No.2 (phase 1), workshop No.2 (phase 2), office building, dormitory buildings and high-voltage switchyard in the new manufacturing plant of Jiangmen Huajin located at Gujing Town with the contract price of approximately RMB76,141,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract

“Construction Contract C”	the construction contract dated 8 June 2018 entered into between Jiangmen Huamu and the Contractor and pursuant to which Jiangmen Huamu has agreed to appoint the Contractor to provide construction contracting services for electrical distribution room, workshop No.4 (phase 2), and workshop No.5 (phase 2) in the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town with the contract price of approximately RMB8,329,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract D”	the construction contract dated 27 March 2018 entered into between Jiangmen Huamu and the Contractor and pursuant to which Jiangmen Huamu has agreed to appoint the Contractor to provide construction contracting services for rolling mill foundations in workshop No.4 (phase 2) of the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town with the contract price of approximately RMB7,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract E”	the construction contract dated 14 December 2017 entered into between Jiangmen Huamu and the Contractor and pursuant to which Jiangmen Huamu has agreed to appoint the Contractor to provide construction contracting services for sewage pipeline works in the existing manufacturing plant of Jiangmen Huamu located at Muzhou Town with the contract price of approximately RMB262,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Contractor”	江西建工第三建築有限責任公司(Jiangxi Construction Engineering Third Construction Limited Liability Company*), a limited liability company established under the laws of the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Gujing Town”	Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC* (中國廣東省江門市新會區古井鎮)
“Gujing Town Land Use Rights”	three parcels of industrial land with an aggregate site area of approximately 284,860 sq. m. located at Zhoulang Village, Gujing Town
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Jiangmen Huajin”	江門市華津金屬製品有限公司 (Jiangmen Huajin Metals Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Jiangmen Huamu”	江門市華睦五金有限公司 (Jiangmen Huamu Metals Company Limited*), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Muzhou Town”	Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC* (中國廣東省江門市新會區睦洲鎮)
“PRC”	the People’s Republic of China
“Previous Transactions”	the contracts between the Group and the Contractor which were entered into within a 12-month period prior to the date of Construction Contract A, including Construction Contract B, Construction Contract C, Construction Contract D, and Construction Contract E
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax in the PRC
“mm”	millimetre
“sq. m.”	square metre
“%”	per cent

By order of the Board
Huajin International Holdings Limited
Xu Songqing
Chairman

Hong Kong, 5 October 2018

As at the date of this announcement, the Board is comprised of Mr. Xu Songqing (Chairman), Mr. Luo Canwen (Chief Executive Officer), Mr. Chen Chunniu and Mr. Xu Songman as executive Directors, Mr. Xu Jianhong as non-executive Director, and Mr. Goh Choo Hwee, Mr. Tam Yuk Sang Sammy and Mr. Wu Chi Keung as independent non-executive Directors.

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*