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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)**

### **MAJOR TRANSACTION HANGDA CONTRACT AND HANGDA SUPPLEMENTAL CONTRACT**

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All capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 18 of this circular.

The Company has obtained written approval for the Transactions in accordance with Rule 14.44 of the Listing Rules from Haiyi Limited in lieu of a general meeting of the Company. Accordingly, no general meeting will be convened for the purpose of approving the Transactions. This circular is being despatched to the Shareholders for information only.

23 August 2024

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Additional Works”	additional construction works, including additional excavation, port engineering, bored piles, dikes and other construction works, etc. for the construction of Huajin Terminal
“Board”	the board of Directors
“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 (stock code: 2738)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“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)
“Haiyi”	Haiyi Limited (海逸有限公司), a company incorporated in the British Virgin Islands with limited liability
“Hangda Construction”	Guangdong Hangda Construction Group Co., Ltd.* (廣東航達建設集團有限公司), a limited liability company established under the laws of the PRC
“Hangda Contract”	the construction contract dated 2 March 2023 entered into between Hangda Construction and Huajin Metal Trading for part of the construction works comprising the Terminal Construction, in the aggregate amount of RMB370,000,000 (inclusive of VAT)
“Hangda Supplemental Contract”	the supplement construction contract dated 4 June 2024 entered into between Hangda Construction and Huajin Metal Trading for the Additional Works comprising the Terminal Construction, in an additional aggregate amount of RMB98,898,450 (inclusive of VAT)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Huajin Metal Industrial Park”	the Group’s existing production plant located at Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC
“Huajin Metal Trading”	Jiangmen Huajin Metal Trading Market Company Limited* (江門市華津金屬交易市場有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Huajin Terminal”	the terminal with three pier berths being built near to the coast of Huajin Metal Industrial Park
“Latest Practicable Date”	22 August 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Songqing (許松慶), the executive Director and controlling Shareholder
“PRC”	the People’s Republic of China which, for the purpose of this circular, does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Terminal Construction”	the project in relation to the construction of Huajin Terminal with three pier berths near to the coast of Huajin Metal Industrial Park
“Transactions”	the transactions contemplated under the Hangda Contract and the Hangda Supplemental Contract
“VAT”	value-added tax in the PRC
“%”	per cent



**HUAJIN INTERNATIONAL HOLDINGS LIMITED**

**華津國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

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*Executive Directors:*

Mr. Xu Songqing (*Chairman*)  
Mr. Xu Jianhong (*Vice Chairman*)  
Mr. Luo Canwen (*Chief Executive Officer*)  
Mr. Xu Songman

*Independent non-executive Directors:*

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Ms. Yip Nga Ting Cerin

*Registered Office:*

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23 August 2024

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR TRANSACTION  
HANGDA CONTRACT  
AND  
HANGDA SUPPLEMENTAL CONTRACT**

## LETTER FROM THE BOARD

### INTRODUCTION

References are made to the announcement of the Company dated 20 May 2024 in relation to major transaction and discloseable transactions in relation to Termination Construction contracts and the announcement of the Company dated 4 June 2024 in relation to major transaction and discloseable transactions in relation to construction contracts.

On 2 March 2023, Huajin Metal Trading, as the principal, and Hangda Construction, as the contractor, entered into the Hangda Contract pursuant to which Hangda Construction undertakes to provide general contract for the construction of Huajin Terminal at the contract sum of RMB370,000,000 (inclusive of VAT), subject to adjustment in accordance with relevant provisions in the contract.

On 4 June 2024, Huajin Metal Trading, as the principal, and Hangda Construction, as the contractor, entered into the Hangda Supplemental Contract pursuant to which Hangda Construction undertakes to provide Additional Works on the Huajin Terminal at the additional contract sum of RMB98,898,450 (inclusive of VAT). The total aggregate contract sum of the Hangda Contract and the Hangda Supplemental Contract was RMB468,898,450 (inclusive of VAT) accordingly.

The purpose of this circular is to provide you with, among other matters, further details of the major transaction relating to the Hangda Contract, Hangda Supplemental Contract and other information as required under the Listing Rules.

### HUAJIN TERMINAL

Huajin Terminal, with a total of three 30,000-ton multi-purpose terminal berths, is being built near to the coast of Huajin Metal Industrial Park. The project is divided into two phases. The main structure for the phase one, berth no. 3, of the Huajin Terminal is approximately 260 metres. The main structure for the phase two, berth no. 1 and berth no. 2, of the Huajin Terminal is approximately 390 metres.

The approval procedures to all relevant government departments in the PRC are required under the PRC regulations. On 25 May 2023, Jiangmen Maritime Safety Administration issued a license for offshore and underwater operations and activities\* (水上水下作業和活動許可證) and Hangda Construction commenced the marine piling works on 12 June 2023 accordingly. Hangda Construction started the dredging works on 1 September 2023 only after the affirmative decision of administration license for dredging works\* (疏浚工程行政許可決定書) was issued by Jiangmen Water Conservancy Bureau\* (江門市水利局) on 25 August 2023.

Apart from the delay in obtaining necessary certificates, licenses, permits or approval from the PRC government authorities, the construction progress carried by Hangda Construction was also hindered by recurrent adverse weather conditions, particularly four typhoons and heavy rainstorms in the region in 2023 and excessive rainfall in the region

## LETTER FROM THE BOARD

during the period from April to June 2024. The principal and the contractor subsequently agreed to extend the expected completion date to 30 September 2024 or such other date as the parties to the Hangda Contract may otherwise agree in writing.

The principal terms of the Terminal Construction contracts with the contractors and supplier, as disclosed in the announcement of the Company dated 20 May 2024, include the scope of work, timetable for construction, fees and payment terms and warranties with respect to quality and timely completion of the construction. As at the Latest Practicable Date, the construction works of these Terminal Construction contracts are completed.

The completion acceptance for the phase one of the Huajin Terminal was completed on 22 January 2024. As at Latest Practicable Date, except for the additional dredging works which are around 80% completed, all other Additional Works are 100% completed. The main structure for the phase two of the Huajin Terminal has been recently completed. The examination and completion acceptance for the phase two of the Huajin Terminal is scheduled to be carried out on around 10 September 2024.

The delays encountered in the Hangda Contract were primarily attributed to adverse weather conditions in the region and the approval procedures by the relevant governmental departments as required under the PRC regulations. These conditions, which significantly restricted on-site construction and posed risks to worker safety, were beyond the control of the contractor. As a result, no penalties were imposed on the contractor as the delays were not caused by any fault on their part or any issues with the construction quality. Having considered the reasons for the delays and assessed that the delays did not have a significant financial impact on the Group, the Directors are of the view that it is fair and reasonable to refrain from imposing penalties on or claiming compensation from the contractor. The Directors are of the view that the terms of the Hangda Contract and the Hangda Supplemental Contract are negotiated on an arm's length basis upon normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### HANGDA CONTRACT

The principal terms of the Hangda Contract are set out below:

Date:	2 March 2023
Parties:	Huajin Metal Trading as the principal Hangda Construction as the contractor
Subject matter:	The general contract for the construction of Huajin Terminal by the contractor in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.



## LETTER FROM THE BOARD

- Site of construction: The water area behind the Group's existing production plant located in the first operational zone (第一作業區) of Gujing Town.
- Contract sum: RMB370,000,000 (inclusive of VAT), subject to adjustment in accordance with relevant provisions in the contract.
- Payment terms and basis of determining the contract sum:
- (a) The principal shall pay 20% of the contract sum as prepayment within 28 days of entering into the contract or before the expected commencement date of the construction works. After the cumulative progress payment reaches 40% of the contract sum, deductions will be made from each monthly certificate according to a fixed percentage. The prepayment will be fully deducted when the cumulative progress payment reaches 90%.
  - (b) Monthly progress payment, which equals to 95% of the value of work completed during that month after deducting (i) the prepayment in paragraph (a) above, (ii) the quality guarantee deposit in paragraph (d) below and (iii) any other expenses as set out in the contract, shall be made to the contractor by the principal within 28 days after the principal has reviewed the payment application; and the remaining 5% of the value of work completed during that month shall be made to the contractor by the principal after approval of the settlement audit of the construction works based on the audit opinion.
  - (c) After the completion and passing of inspection of the relevant construction works, the principal shall settle the balance payment of the final settlement with the contractor within 14 days from the date of issuance of the settlement certificate.

## LETTER FROM THE BOARD

(d) The project supervisor shall withhold 3% of the first progress payment as quality guarantee deposit, up to a total amount of 3% of the contract sum. After the expiration of the defect liability period, and upon receipt of the project supervisor's certification that the contractor has completed all necessary defect repairs, the principal shall return the remaining quality guarantee deposit to the contractor within 28 days.

The contract sum was determined based on the bidding price submitted by the contractor, taking into account their technical qualifications, experience, and competency, as well as the expected scope and complexity of the construction works. The costs of materials and labour, as well as prevailing market prices for similar construction projects, were also considered in estimating the contract sum.

Price adjustment:

The contract sum may be adjusted upon the occurrence of certain circumstances as stipulated in the contract, including fluctuation in the costs of labour, materials and equipment, based on the formula set out in the contract.

As at the Latest Practicable Date, there has been no substantial upward adjustment.

Contract period:

365 calendar days

Expected commencement date:

5 March 2023

Expected completion date:

5 March 2024

Extension of the construction period:

The construction progress was hindered by recurrent adverse weather conditions, particularly heavy rainstorms, in the region since the second half of 2023. The principal and the contractor subsequently agreed to extend the expected completion date to 30 September 2024 or such other date as the parties to the Hangda Contract may otherwise agree in writing.

## LETTER FROM THE BOARD

Progress of the construction works:

As at the Latest Practicable Date, the construction works are nearly completed and the Group has paid approximately RMB358,900,000 for the Hangda Contract.

The Group conducted tender process for the construction of Huajin Terminal through Xinhui Branch of Jiangmen Public Resources Trading Centre\* (江門市公共資源交易中心新會分中心) in early 2023. Under the supervision of Jiangmen City Xinhui District Transportation Bureau\* (江門市新會區交通運輸局), a tender assessment committee was established to select candidates for the construction project. All the committee members of the tender assessment committee were selected at random from a pool of government recognised experts to take advantage of their expertise. According to the relevant bidding documents and rules, the tender assessment committee evaluated the bidders based on their professional qualifications and technology, experience in similar projects, management team, and the bidding price. After comprehensive evaluation by the tender assessment committee, Hangda Construction was selected by the tender assessment committee as the first candidate for the tender.

Given that the tendering process was open to qualified third party contractors and was carried out under significant involvement of independent professional experts in assessing the technical and cost aspects of the construction contract, and that the tender proposal submitted by Hangda Construction offered a more competitive contract sum, the Directors are of the view that the terms of the Hangda Contract, including the contract sum, negotiated on an arm's length basis upon normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### HANGDA SUPPLEMENTAL CONTRACT

The principal terms of the Hangda Supplemental Contract are set out below:

Date: 4 June 2024

Parties: Huajin Metal Trading as the principal

Hangda Construction as the contractor

Subject matter: Additional Works for the construction of Huajin Terminal

Site of construction: The water area behind the Group's existing production plant located in the first operational zone (第一作業區) of Gujing Town.

Contract sum: RMB98,898,450 (inclusive of VAT)

## LETTER FROM THE BOARD

Payment terms and basis of determining the contract sum:

- (a) Monthly progress payment, which equals to 95% of the value of work completed during that month shall be made to the contractor by the principal after the principal has reviewed the payment application,
- (b) After the completion and passing of inspection of the relevant construction works, the principal shall settle the remaining 5% with the contractor from the date of issuance of the settlement certificate, and
- (c) The project supervisor shall withhold 3% of the first progress payment as quality guarantee deposit, up to a total amount of 3% of the contract sum. After the expiration of the defect liability period, and upon receipt of the project supervisor's certification that the contractor has completed all necessary defect repairs, the principal shall return the remaining quality guarantee deposit to the contractor.

The contract sum was determined in accordance with the terms of the Hangda Supplemental Contract by the parties after arm's length negotiation, and after taking into account their technical qualifications, experience, and competency, as well as the expected scope and complexity of the Additional Works. The costs of materials and labour, as well as prevailing market prices for similar construction projects, were also considered in estimating the contract sum.

Expected completion date:

on or before 30 September 2024

Progress of the construction works:

As at the Latest Practicable Date, except for the additional dredging works which are around 80% completed, all other Additional Works are 100% completed. The Group has paid approximately RMB61,581,780 for the Hangda Supplemental Contract.

## LETTER FROM THE BOARD

Additional Works are listed below:

- (1) Subject matter: additional dredging works
- Contract sum: RMB43,178,400 (inclusive of VAT)
- Reason of construction works: In order to expedite the putting into use for berth no. 3 of Huajin Terminal, the dredged materials from the berth basin near to berth no. 3 of Huajin Terminal needed to be loaded into dredgers by grab bucket. The Directors are of the view that this additional dredging works are fair and reasonable.
- Progress of construction works: As at the Latest Practicable Date, the additional dredging works was around 80% completed.
- (2) Subject matter: additional costs for dock works
- Contract sum: RMB22,357,172 (inclusive of VAT)
- Reason of construction works:
- Due to the complex geology of the piling construction site at Huajin Terminal, additional piling works for Huajin Terminal was considered necessary;
  - During the construction progress, additional floating cranes and trestle bridge, which are not covered in Hangda Contract, are required for the construction of Huajin Terminal; and
  - The addition of hoops and channel steel, which are not covered in Hangda Contract, are required to prevent the pile from being displaced due to the impact of tides after the piling works are completed.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.

## LETTER FROM THE BOARD

- (3) Subject matter: additional foundation and cast-in-place piles
- Contract sum: RMB4,628,658 (inclusive of VAT)
- Reason of construction works: Due to the design requirements from the principal, additional foundation and certain cast-in-place pile adopting the full pile casing, which are not covered in Hangda Contract, are required.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.
- (4) Subject matter: the embedded parts for gantry crane
- Contract sum: RMB1,318,926 (inclusive of VAT)
- Reason of construction works: The installation and modification of the embedded parts and track cement for gantry cranes, which are not covered in Hangda Contract, are required.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.
- (5) Subject matter: secondary transport services for prefabricated components and reinforcement bars
- Contract sum: RMB1,831,920 (inclusive of VAT)
- Reason of construction works: In order to ensure the progress of the dock works, certain prefabricated components must be produced uninterrupted. Due to the storage restrictions at the construction site of Huajin Terminal for prefabricated components and reinforcement bars, the Director considered that these additional secondary transport services for prefabricated components and reinforcement bars within Huajin Terminal were necessary.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.

## LETTER FROM THE BOARD

- (6) Subject matter: embankment reinforcement works
- Contract sum: RMB8,662,586 (inclusive of VAT)
- Reason of construction works: The embankment reinforcement works, which are not covered in Hangda Contract, are required to protect the embankment at Huajin Terminal.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.
- (7) Subject matter: concrete engineering within the administrative scope of river courses
- Contract sum: RMB4,596,000 (inclusive of VAT)
- Reason of construction works: The concrete engineering within the administrative scope of river courses, which are not covered in Hangda Contract, are required to protect the facilities and infrastructure within the administrative scope of river courses at Huajin Terminal.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.
- (8) Subject matter: expedited works
- Contract sum: RMB7,183,988 (inclusive of VAT)
- Reason of construction works: To expedite the construction progress due to the delay by recurrent adverse weather conditions, the expedited works, including but not limited to additional labor, material, temporarily renting equipments, are incurred by the principal by taking measures to meet the constriction period for the Huajin Terminal.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.

## LETTER FROM THE BOARD

- (9) Subject matter: additional civilized construction measures fee
- Contract sum: RMB5,140,800 (inclusive of VAT)
- Reason of construction works: The Directors considered that this additional civilized construction measures fee was necessary to ensure a safe construction environment and worker health protection for the construction sites area and additional road hardening for Huajin Terminal.
- Progress of construction works: As at the Latest Practicable Date, the construction works are 100% completed.

The Directors are of the view that the terms of the Hangda Supplemental Contract are negotiated on an arm's length basis upon normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

All the contract sums under the Hangda Contract and the Hangda Supplemental Contract have been or will be funded by the internal financial resources of the Group and bank borrowings.

### INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands. 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. Since 2024, the Group has commenced its terminal business following the completion of the construction works for the berth no. 3 of Huajin Terminal.

Huajin Metal Trading, a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, is principally engaged in port cargo loading and unloading, and warehousing services.



## LETTER FROM THE BOARD

### INFORMATION ON HANGDA CONSTRUCTION

Hangda Construction, a limited liability company established under the laws of the PRC, is a comprehensive construction enterprise principally engaged in port and waterway engineering, construction engineering, municipal public works, water conservancy and hydropower engineering and highway engineering construction, etc. It is owned as to 36.2% by Li Jianshe (李建設), 26.2% by Zhang Zhonglai (張仲來), 15% by Jiang Kefeng (江克峰), 11% by Huang Guixiang (黃貴祥), 6.4% by Zhang Rongying (張榮英) and 5.2% by Liang Zhongsheng (梁中生).

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

### REASONS FOR AND BENEFITS OF ENTERING INTO OF THE HANGDA CONTRACTS, THE HANGDA SUPPLEMENTAL CONTRACT AND THE TRANSACTION(S) CONTEMPLATED THEREUNDER

The Group's existing production plant located in Gujing Town has been developed into Huajin Metal Industrial Park. Huajin Metal Industrial Park is located near the coastal area of Yinzhou Lake\* (銀洲湖), which is situated at the confluence of the Xi River (西江) and Tan River\* (潭江) in the southwestern region of the Pearl River Delta in China. In accordance with the local government plan and with the government's support, Huajin Terminal will be constructed near Huajin Metal Industrial Park. The terminal will consist of three pier berths, which will be utilized for both the Group's own use and external operations. The terminal will have berths with a maximum docking capacity of 30,000 deadweight tons, establishing it as the largest general-purpose terminal on the affiliated waterway. The total coastline of the terminal is approximately 650 metres.

The Group has recently completed the construction works for the berth no. 3 of Huajin Terminal, and obtained the licence for port operations (港口經營許可證) issued by Jiangmen Xinhui District Transportation Bureau\* (江門市新會區交通運輸局) for a validity period of 3 years after the completion of the construction. The first cargo ship has entered the port in January 2024.

Based on the latest progress, the construction of the main structure for berth no. 1 and no. 2 of Huajin Terminal has been recently completed, and all relevant construction works under the Hangda Contract was completed within the extended timeframes. The examination and completion acceptance for the phase two of the Huajin Terminal is scheduled to be carried out on around 10 September 2024. The Group will apply for the port operations licenses of berth no. 1 and no. 2 of Huajin Terminal upon completion of the construction works. It is anticipated by the Directors that the relevant licenses and permits including port operations licenses will be issued by the relevant PRC authorities by late 2024.

## **LETTER FROM THE BOARD**

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, pursuant to the relevant laws and regulations of the PRC, the port operations license is valid for three years, subject to renewal upon expiration. As of the date of this circular, the Directors do not anticipate any obstacles in obtaining the port operations licenses in respect of berth no. 1 and no. 2 of Huajin Terminal or renewing the Group's port operations licenses in the future. The validity period of the port operations licenses in respect of these berths only commence after completion of the construction works.

The establishment of Huajin Terminal will allow for direct transportation of steel raw materials from major steel mills in northern China to the southwestern area of the Pearl River Delta via water routes. This will effectively reduce transfer time and costs. While the Group's primary business will continue to be the cold-rolled and galvanized steel processing service, which provides a stable source of income, the Board expects that with a diverse customer base, the terminal business will expand the Group's income sources by saving transportation costs and time, as well as enhancing distribution and warehousing capabilities.

By the Hangda Supplemental Contract, the scope of the construction works for Huajin Terminal is widened to cover the Additional Works, including, among others, additional excavation, port engineering, bored piles, dikes and other construction works to cater for the construction conditions of the Terminal Construction.

The Directors confirm that each of the Hangda Contract and the Hangda Supplemental Contract is awarded to the contractor through tendering, including public tendering and tender by invitation, conducted by the Group. Hence, the Directors (including the independent non-executive Directors) are of the view that the terms of each of the Hangda Contract and the Hangda Supplemental Contract (including the amount of consideration thereunder) are negotiated on an arm's length basis upon normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Hangda Contract and the Hangda Supplemental Contract, when aggregated, exceed 25% but all such percentage ratios are less than 100%, the transactions contemplated under the Hangda Contract and the Hangda Supplemental Contract, when aggregated, constitute a major transaction for the Company and are therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## LETTER FROM THE BOARD

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting if: (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Hangda Contract and the Hangda Supplemental Contract; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Transactions.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the transactions contemplated under the Transactions and no Shareholder is required to abstain from voting if a general meeting was to be convened for the approval of the Transactions.

The Company has obtained written approval for the Transactions from Haiyi, which is beneficially interested in an aggregate of 391,500,000 Shares, representing 65.25% of the entire issued shares of the Company as at the Latest Practicable Date. The entire issued share capital of Haiyi is legally and beneficially owned by Intrend Ventures Limited, which is in turn legally and beneficially wholly-owned by Mr. Xu Songqing, an executive Director and a controlling Shareholder of the Company. Haiyi has approved the Hangda Contract and the Hangda Supplemental Contract in writing on 24 April 2024 and 4 June 2024 respectively.

Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be convened for the purpose of approving the Transactions.

### **FINANCIAL EFFECTS OF ENTERING INTO THE HANGDA CONTRACTS AND THE HANGDA SUPPLEMENTAL CONTRACT**

The contract sum is RMB468,898,450 (inclusive of VAT), subject to adjustment according to the terms of the Hangda Contract for the Terminal Construction. The settlement terms of the contract sum for each of the Hangda Contract and the Hangda Supplemental Contract are set out in the sections headed "*Hangda Contract*" on page 6 and "*Hangda Supplemental Contract*" on page 9 in this letter from the Board.

When the construction costs under the Hangda Contract and the Hangda Supplemental Contract (being the contract sum) are incurred, the Group expects to recognise an increase in "construction in progress" up to RMB430,182,065, an increase in "VAT recoverable" up to RMB38,716,385, and the corresponding increase in "construction payables" up to RMB468,898,450. The assets and the liabilities of the Group will be increased accordingly. The payment of the contract sum, and the payments and expenses incurred and to be incurred in connection with the construction contracts would result in a decrease in "construction payables" and "cash and cash equivalents" and/or an increase in "borrowings". Upon completion and acceptance of the construction works, the amount under "construction in progress" will be transferred to "property, plant and equipment" and it is expected that it will have no impact on the net asset value of the Group because the contract sum will be settled by internal resources and/or borrowings of the Group.

## **LETTER FROM THE BOARD**

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Hangda Contract and the Hangda Supplemental Contract. Since the contract sum is expected to be funded by internal resources and/or borrowings of the Group, the bank and cash balances of the Group will decrease and/or the Group's borrowings will increase, and as a result, the bank interest income of the Group will reduce and/or the finance costs from interest-bearing loans will increase. The finance costs from interest-bearing loans that are directly attributable to the construction contracts will be capitalised in the construction cost of the Huajin Terminal during the construction period.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

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

## 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 is disclosed in the annual reports of the Company for the three years ended 31 December 2021, 2022 and 2023 of the Company, respectively, and are incorporated by reference into this circular. All of the abovementioned annual reports are available on the Company's website at <http://www.huajin-hk.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

The following is the hyperlink to the 2021 annual report of the Company published on 28 April 2022 with its audited consolidated financial statements for the year ended 31 December 2021 on pages 52 to 125:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800162.pdf>

The following is the hyperlink to the 2022 annual report of the Company published on 27 April 2023 with its audited consolidated financial statements for the year ended 31 December 2022 on pages 52 to 125:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700239.pdf>

The following is the hyperlink to the 2023 annual report of the Company published on 26 April 2024 with its audited consolidated financial statements for the year ended 31 December 2023 on pages 54 to 121:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042600259.pdf>

## 2. INDEBTEDNESS

### Bank of other borrowings

As at 30 June 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings with a carrying amount of approximately RMB2,882.68 million, comprising:

- (i) Unsecured and unguaranteed bank and other borrowings of approximately RMB28.58 million.
- (ii) Unsecured and guaranteed bank and other borrowings of approximately RMB188.50 million.
- (iii) Secured and unguaranteed bank and other borrowings of approximately RMB105.88 million.
- (iv) Secured and guaranteed bank and other borrowings of approximately RMB1,860.30 million.

- (v) Bank borrowings from factoring of bills receivables with full recourse of approximately RMB699.42 million.

Certain bank and other borrowings were secured by restricted bank deposits, trade and bills receivables, right-of-use assets, and property, plant and equipment and equity interest in a subsidiary.

#### **Amounts due to related parties**

As at 30 June 2024, the Group had non-trade amounts due to related parties of approximately RMB1.32 million which were unsecured and unguaranteed.

#### **Lease liabilities**

As at 30 June 2024, the Group had lease liabilities of approximately RMB8.68 million. Certain lease liabilities of approximately RMB3.01 million were secured by rental deposits and unguaranteed, and the lease liabilities of approximately RMB5.67 million were unsecured and unguaranteed.

#### **Pledge assets**

As at 30 June 2024, the Group had deposits of approximately RMB321.21 million which were used to secure bills payables (including intra-group bills payables).

Save and except for the above, apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business as at 30 June 2024, the Group did not have any term loans, or other borrowings or similar indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, or hire purchase commitments, or mortgages and charges, and there were no material contingent liabilities nor guarantees.

### **3. WORKING CAPITAL STATEMENT**

Taking into account the presently available financial resources including internally generated cash flows, bank balances and cash, the existing banking facilities as at 30 June 2024, the financial support from Mr. Xu to enable the Group to meet its financial obligations as they fall due for a period of fifteen months from the date of this circular, and the cash flow impact of the Transactions, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Group is sufficient for its present requirements for at least the next twelve months from the date of this circular.

Notwithstanding the above, uncertainty exists as to whether the renewal of borrowings can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the operation of cold-rolled and galvanized steel processing service business, and the terminal business depend on the market condition.

The Board has also received a working capital sufficiency comfort letter under Rule 14.66(12) of the Listing Rules from the auditor.

#### **4. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

#### **5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

The Group's existing production plant located at Gujing Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC, has been developed into Huajin Metal Industrial Park. With reference to the local government plan and the support from the government, Huajin Terminal with the construction of three pier berths will be built near to the coast of Huajin Metal Industrial Park. The Group will build, operate and manage three berths with a maximum docking capacity of 30,000 deadweight tons for the Group's own use and external operations. In early 2024, the Group has completed the construction works for the berth no. 3 of Huajin Terminal and, on 23 January 2024, the Group has obtained the licence for port operations issued by Jiangmen Xinhui District Transportation Bureau for berth no. 3 of Huajin Terminal. The main structure for the phase two of the Huajin Terminal has been recently completed. The examination and completion acceptance for the phase two of the Huajin Terminal is scheduled to be carried out on around 10 September 2024.

The cold-rolled and galvanized steel processing service business will continue to be the principal business providing a stable source of income to the Group. With our broad and diversified customer base, the Board believes that the terminal business will help broaden the income source of the Group with the saving of the transportation costs and time, and boosting distribution and warehousing.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in Shares and underlying Shares of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company and their associates in the Shares and underlying Shares of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

#### *Long positions in Shares of the Company*

Name of Directors	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Xu Songqing ("Mr. Xu")	Interest of controlled corporation <sup>(1)</sup>	391,500,000	65.25%
Mr. Luo Canwen ("Mr. Luo")	Interest of controlled corporation <sup>(2)</sup>	54,000,000	9.00%

#### *Notes:*

- The entire issued share capital of Haiyi is legally and beneficially owned by Intrend Ventures and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu. Each of Mr. Xu and Intrend Ventures is deemed to be interested in all the Shares held by Haiyi by virtue of the SFO.
- The entire issued share capital of Zhong Cheng is legally and beneficially owned by Mr. Luo. Mr. Luo is deemed to be interested in all the Shares held by Zhong Cheng by virtue of the SFO.



3. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at the Latest Practicable Date.

*Long positions in the shares of associated corporations of the Company*

<b>Name of Directors</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of the issued share capital of the associated corporation</b>
Mr. Xu	Haiyi	Interest of controlled corporation <sup>(1)</sup>	1,000	100.00%

*Note:* The entire issued share capital of Haiyi is legally and beneficially owned by Intrend Ventures and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu.

*Long positions in the underlying shares of the Company*

<b>Name of Directors</b>	<b>Nature of interest</b>	<b>Number of underlying shares in respect of the share options granted</b>	<b>Percentage of underlying shares over the Company's issued share capital</b> <i>(Note 1)</i>
Mr. Xu	Beneficial owner	1,818,181	0.30%
Mr. Xu Jianhong	Beneficial owner	1,818,181	0.30%
Mr. Luo	Beneficial owner	1,818,181	0.30%
Mr. Xu Songman	Beneficial owner	1,818,181	0.30%

*Notes:*

1. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares of the Company**

As at the Latest Practicable Date, so far as the Directors are aware, the following persons or corporations (not being a Director or a chief executive of the Company) who/which had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were:

*Long positions in Shares of the Company*

Name of shareholders	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Haiyi Limited ("Haiyi")	Beneficial owner <sup>(1)</sup>	391,500,000	65.25%
Intrend Ventures Limited ("Intrend Ventures")	Interest of controlled corporation <sup>(1)</sup>	391,500,000	65.25%
Zhong Cheng International Limited ("Zhong Cheng")	Beneficial owner <sup>(2)</sup>	54,000,000	9.00%

*Notes:*

- The entire issued share capital of Haiyi is legally and beneficially owned by Intrend Ventures and the entire issued share capital of Intrend Ventures is legally and beneficially owned by Mr. Xu. Each of Mr. Xu and Intrend Ventures is deemed to be interested in all the Shares held by Haiyi by virtue of the SFO.
- The entire issued share capital of Zhong Cheng is legally and beneficially owned by Mr. Luo. Mr. Luo is deemed to be interested in all the Shares held by Zhong Cheng by virtue of the SFO.
- The percentage of shareholding is calculated on the basis of the Company's issued share capital of 600,000,000 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person nor corporation (other than Directors or the chief executive of the Company) who/which had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### **3. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or their respective close associates (as defined under the Listing Rules) had interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **6. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the issue of this circular, and which are or may be material:

- (a) the Hangda Contract; and
- (b) the Hangda Supplemental Contract

### **7. LITIGATION**

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL ACQUISITION**

Since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, no member of the Group had acquired, or agreed to acquire, or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published consolidated financial statements of the Group

**9. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. Wong Chak Keung, a member of the Hong Kong Institute of Certified Public Accountants and certified practising accountant of CPA Australia, respectively.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business in Hong Kong of the Company is Unit 18, 5/F, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
- (d) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited (situated at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong).
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS ON DISPLAY**

A copy of the Hangda Contract and the Hangda Supplemental Contract will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.huajin-hk.com>) from the date of this circular up to 14 days thereafter.