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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

FIVE CONSTRUCTION CONTRACTS

The Board is pleased to announce that, on 16 September 2019 (after trading hours), Jiangmen Huajin, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into the Five Construction Contracts. Pursuant to the Five Construction Contracts, Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting service for the construction and decoration works of the Group's new manufacturing plant located at Gujing Town. The contract price payable by Jiangmen Huajin under the Five Construction Contracts shall be approximately RMB116,103,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Five Construction Contracts.

LISTING RULES IMPLICATIONS

As Previous Transaction between the Group and the Contractor was entered into within a 12-month period prior to the date of the Five Construction Contracts, the transactions contemplated under the Five Construction Contracts and Previous Transaction 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 the Five Construction Contracts and Previous Transaction 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 16 September 2019 (after trading hours), Jiangmen Huajin, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into the Five Construction Contracts. Pursuant to the Five Construction Contracts, Jiangmen Huajin has agreed to appoint the Contractor to provide construction contracting service for the construction and decoration works of the Group's new manufacturing plant located at Gujing Town. The contract price payable by Jiangmen Huajin under the Five Construction Contracts shall be approximately

RMB116,103,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Five Construction Contracts.

A. FIVE CONSTRUCTION CONTRACTS

(i) CONSTRUCTION CONTRACT A

Principal terms of the Construction Contract A are as follows:

Date

16 September 2019

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 construction of equipment foundation (phase two) in the Group's new manufacturing plant located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under the Construction Contract A shall be approximately RMB55,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Construction Contract A.

Construction period

Pursuant to the Construction Contract A, the construction works is to be completed within 365 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 the Construction Contract A. The warranty period of the construction works under the Construction Contract A is a period of 12 months after the relevant construction works is completed and accepted by both parties.

(ii) CONSTRUCTION CONTRACT B

Principal terms of the Construction Contract B are as follows:

Date

16 September 2019

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for solid floor project on workshop no. 1 in the Group's new manufacturing plant located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under the Construction Contract B shall be approximately RMB40,566,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Construction Contract B.

Construction period

Pursuant to the Construction Contract B, the construction works is to be completed within 545 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 the Construction Contract B. The warranty period of the construction works under the Construction Contract B is a period of 12 months after the relevant construction works is completed and accepted by both parties.

(iii) CONSTRUCTION CONTRACT C

Principal terms of the Construction Contract C are as follows:

Date

16 September 2019

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for decoration works of dormitory building in the Group's new manufacturing plant located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under the Construction Contract C shall be approximately RMB11,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Construction Contract C.

Construction period

Pursuant to the Construction Contract C, the construction works is to be completed within 180 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 the Construction Contract C. The warranty period of the construction works under the Construction Contract C is a period of 60 months after the relevant construction works is completed and accepted by both parties.

(iv) CONSTRUCTION CONTRACT D

Principal terms of the Construction Contract D are as follows:

Date

16 September 2019

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for sheet piling works (phase one) in the Group's new manufacturing plant located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under the Construction Contract D shall be approximately RMB7,037,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Construction Contract D.

Construction period

Pursuant to the Construction Contract D, the construction works is to be completed within 365 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 the Construction Contract D. The warranty period of the construction works under the Construction Contract D is a period of 12 months after the relevant construction works is completed and accepted by both parties.

(v) CONSTRUCTION CONTRACT E

Principal terms of the Construction Contract E are as follows:

Date

16 September 2019

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for decoration works of office building in the Group's new manufacturing plant located at Gujing Town.

Contract price

The contract price payable by Jiangmen Huajin under the Construction Contract E shall be approximately RMB2,500,000 (inclusive of VAT), subject to adjustment pursuant to the terms of the Construction Contract E.

Construction period

Pursuant to the Construction Contract E, the construction works is to be completed within 180 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 the Construction Contract E. The warranty period of the construction works under the Construction Contract E is a period of 60 months after the relevant construction works is completed and accepted by both parties.

B. Previous Transaction

Previous Transaction (the Construction Contract F), which was entered into between Jiangmen Huajin and the Contractor within a 12-month period prior to the date of the Five Construction Contracts, is as follows:

Principal terms of the Construction Contract F are as follows:

Date

5 October 2018

Parties

- Jiangmen Huajin, and
- the Contractor

Scope of contracting works

The Contractor has agreed to provide construction contracting services for equipment foundation in the Group's new manufacturing plant located at Gujing Town.

Contract price

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

Construction period

Pursuant to the Construction Contract F, 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 the Construction Contract F. The warranty period of the construction works under the Construction Contract F is a period of 12 months after the relevant construction works is completed and accepted by both parties.

Progress of the construction works

As at the date of this announcement, the construction works is completed and the Group paid approximately RMB34,196,000 for the Construction Contract F.

C. BASIS OF THE CONTRACT PRICE AND PAYMENT TERMS OF THE FIVE CONSTRUCTION CONTRACTS AND PREVIOUS TRANSACTION

Each of the contract price, subject to adjustment, under the Five Construction Contracts and Previous Transaction 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. It is calculated according to the estimated quantities and the pricing of the items in respect of the construction works as set out in each of the Five Construction Contracts and Previous Transaction, 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. According to the valuation process, both parties agree that the settlement amount of the Five Construction Contracts and Previous Transaction will be calculated at a 10% discount based on each corresponding settlement report being audited by both parties. There is no maximum cap for the contract price as stated in the Five Construction Contracts and Previous Transaction. As at the date of this announcement, the Directors do not expect there will be a significant adjustment to each of the contract price of the Five Construction Contracts and Previous Transaction.

Each of the contract price under the Five Construction Contracts and Previous Transaction shall be payable in stages based on the progress of each relevant construction works. The progress billings 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, Jiangmen Huajin will settle the balance payment of the final settlement of the relevant construction works upon confirming the total value of the relevant construction works by both parties and receiving full VAT invoice(s) from the Contractor.

The contract price payable under the Five Construction Contracts and Previous Transaction 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 THE FIVE CONSTRUCTION CONTRACTS AND PREVIOUS TRANSACTION

References are made to the Company's announcement dated 27 December 2017 in relation to the acquisition of Gujing Town Land Use Rights and the Company's announcement dated 5 October 2018 in relation to the discloseable transaction. It is the business strategies of the Group to increase production capacity by expanding the manufacturing facilities at the Group's new manufacturing plant located at Gujing Town to further the Group's business development in the long run.

The structure of the Group's production plant is mainly steel structure with sheet piling as foundation. Sheet piles are thin interlocking steel sheet designed as temporary retaining wall or cofferdams erected to enable subsequent temporary or permanent works, such as bulk excavation and pile cap works. In the Group's new manufacturing plant located at Gujing Town, the ground floor of workshop should be tough and resilient. The construction of solid floor is to withstand the pressure from heavy equipment and evenly distribute the weight of the structure over large area so as to avoid over-loading of the soil beneath. The construction of equipment foundation (phase two) is needed to fix the installation of equipment and machinery, and the reallocation of our certain production facilities from our existing production plant. The decoration works of office building and dormitory building is to provide comfortable working environment and accommodation for employees.

The Contractor has proven track record and possesses technical capabilities and expertise in handling large scale construction projects and has completed various projects for the Group in the PRC.

The Directors consider that the Five Construction Contracts and Previous Transaction 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.

LISTING RULES IMPLICATION

As Previous Transaction between the Group and the Contractor was entered into within a 12-month period prior to the date of the Five Construction Contracts, the transactions contemplated under the Five Construction Contracts and Previous Transaction 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 the Five Construction Contracts and Previous Transaction 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 16 September 2019 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 construction of equipment foundation (phase two) in the Group's new manufacturing plant located at Gujing Town with the contract price of approximately RMB55,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract B”	the construction contract dated 16 September 2019 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 solid floor project on workshop no. 1 in the Group's new manufacturing plant located at Gujing Town at the contract price of approximately RMB40,566,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract

“Construction Contract C”	the construction contract dated 16 September 2019 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 decoration works of dormitory building in the Group’s new manufacturing plant located at Gujing Town with the contract price of approximately RMB11,000,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract D”	the construction contract dated 16 September 2019 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 sheet piling works (phase one) in the Group’s new manufacturing plant located at Gujing Town with the contract price of approximately RMB7,037,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract E”	the construction contract dated 16 September 2019 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 decoration works of office building in the Group’s new manufacturing plant located at Gujing Town with the contract price of approximately RMB2,500,000 (inclusive of VAT), subject to adjustment pursuant to the terms of such construction contract
“Construction Contract F”	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 equipment foundation in the Group’s new manufacturing plant 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
“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

“Five Construction Contracts”	the five construction contracts dated 16 September 2019 entered into between Jiangmen Huajin and the Contractor, namely, the Construction Contract A, the Construction Contract B, the Construction Contract C, the Construction Contract D, and the Construction Contract E
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Transaction”	the contract between Jiangmen Huajin and the Contractor which was entered into within a 12-month period prior to the date of the Five Construction Contracts, namely, the Construction Contract F
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 16 September 2019

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.*