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## **Haina Intelligent Equipment International Holdings Limited**

**海納智能裝備國際控股有限公司**

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

**(Stock Code: 1645)**

### **MAJOR TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO THE CONSTRUCTION OF THE FACTORY**

**Financial adviser to the Company**



**建泉融資有限公司  
VBG Capital Limited**

#### **THE CONSTRUCTION CONTRACT**

The Board is pleased to announce that on 15 August 2022, Haina Tongchuang and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Factory and other ancillary facilities on the Land at Total Contract Price of approximately RMB265.60 million.

#### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in respect of the Construction Contract under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Construction Contract constitutes a major transaction and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Construction Contract and the transaction contemplated thereunder, and as such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Prestige Name, which holds an aggregate of 349,188,000 Shares representing approximately 61.92% of the entire issued capital of the Company as at the date of this announcement.

On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) Written Shareholders' Approval has been obtained by the Company, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Construction Contract and the transaction contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the Listing Rules is expected to be despatched to the Shareholders on or before 2 September 2022 in accordance with Rule 14.41(a) of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 15 August 2022, Haina Tongchuang and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Factory and other ancillary facilities on the Land at Total Contract Price of approximately RMB265.60 million.

## **THE CONSTRUCTION CONTRACT**

The principal terms of the Construction Contract are set out as follows:

- Date : 15 August 2022
- Parties : (i) Haina Tongchuang; and  
(ii) the Contractor.
- Scope of Construction Works : The Contractor shall be responsible for the construction works of the Factory, including but not limited to the (i) civil engineering works, (ii) foundation works, (iii) main structural construction works, (iv) electrical and plumbing installation works, (v) fire protection system works, (vi) weak current system engineering works, (vii) ventilation and air conditioning system works; and (viii) fitting out works.

The Contractor shall also be responsible for the construction works of the ancillary facilities, including but not limited to (i) pavement hardening works; (ii) construction of enclosure walls; (iii) landscape engineering works; and (iv) other ancillary construction works.

- Construction Period : The Construction Works are expected to be completed within 510 days after commencement of the Construction Works.
- If there are any delays to the expected construction schedule and such delay is attributable to the Contractor, the Contractor shall be subject to a daily delay fee of RMB1,327,981 (equivalent to approximately HK\$1,544,575).
- Total Contract Price : RMB265,596,155 (equivalent to approximately HK\$308,914,888), subject to adjustment under the Construction Contract arising from market fluctuation of construction materials and labour costs.
- The Total Contract Price was determined after arm's length negotiations between the Group and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the Construction Works; (ii) the experience, competency and market position of the Contractor; (iii) the anticipated material and labour costs; and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.
- Adjustment mechanism : In the event that there is a significant increase or decrease in price of construction materials (including steel, concrete, cement, mixed mortar, aluminium alloy doors and windows, aluminium metal veneer, wire and cable) and labour costs by over 5% from the benchmark price (the benchmark price shall be subject to the 2022 6th Edition Hangzhou Construction Cost Information\* (《2022年第6期杭州造價信息》) and 2022 6th Edition Zhejiang Construction Cost Information\* (《2022年第6期浙江造價信息》) published by Hangzhou Construction Engineering Cost Association\* (杭州市建設工程造價管理協會) and Zhejiang Provincial Construction Project Cost Management Station\* (浙江省建設工程造價管理總站)) resulted from market fluctuation, the Total Contract Price would be adjusted.

Payment terms and schedule : **For the construction works of the Factory**

*Prepayment*

- (i) 10% of the contract price for the construction works of the Factory shall be paid to the Contractor as prepayment;

*Construction*

- (ii) after completion of the construction piles and maintenance piles, 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (iii) after completion of the foundation pit support (inclusive of civil engineering works), 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (iv) after completion of the foundation works, 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (v) for workshop no.1 and workshop no.2, after completion of the frame structure for each two floors, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (vi) for workshop no.3 and dormitory, after completion of the frame structure for each three floors, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (vii) after completion and passing the acceptance checking of the main structural works, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (viii) after completion of the fitting-out works of the main structural surface and the removal of scaffoldings, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (ix) after completion and passing the acceptance checking of all the construction works of the Factory, 70% of the contract price for the construction works of the Factory shall be paid to the Contractor;

- (x) after completion and passing the joint acceptance checking of all the construction works of the Factory from all of Haina Tongchuang, the designer, the supervisor and the Contractor, 92% of the contract price for the construction works of the Factory shall be paid to the Contractor;
- (xi) 97% of the contract price for the construction works of the Factory shall be paid to the Contractor after completion settlement;

*Defects liability period retention*

- (xii) the remaining 3% of the contract price for the construction works of the Factory shall act as a retention money and shall be paid to the Contractor after the defects liability period;

**For the construction works of the ancillary facilities**

- (xiii) payment for the construction works of the ancillary facilities is divided into four instalments, the Contractor shall apply for the settlement of each instalment in accordance with completion progress.

Performance guarantee : The Contractor shall issue a guarantee in favour of Haina Tongchuang in the amount of 3% of the Total Contract Price for the performance of its obligations under the Construction Contract. The Contractor shall provide a letter of guarantee in an amount equivalent to 3% of the Total Contract Price issued by a bank to Haina Tongchuang within 7 days after the execution of the Construction Contract.

Defects liability period : During the defects liability period, the Contractor shall be responsible for handling quality problems in relation to the Construction Works in a timely manner and in accordance with the Construction Contract:

- (i) Unless otherwise specified, the defects liability period shall be three years from the date of completion of the Construction Works and the obtaining of comprehensive acceptance by the construction department of the government.

- (ii) The defects liability period for foundation works and main structural works shall be the reasonable service life as stipulated in the relevant design documents.
- (iii) The defects liability period for roofing waterproof works, waterproofing and leakage prevention works of washrooms, rooms and external walls shall be five years from the date of the obtaining of comprehensive acceptance by the construction department of the government.

## **REASONS FOR AND BENEFIT OF ENTERING INTO THE CONSTRUCTION CONTRACT**

Reference is made to the Announcements published by the Company. As disclosed in the Announcements, pursuant to the Framework Agreement, the Group agreed to acquire the land use rights of the Land for construction and operation of a factory with a gross floor area of approximately 76,000 square meters, which will be principally engaged in the design and production of automated machines for manufacturing disposable hygiene products including adult diapers and sanitary napkins. The Group is required to commence the Construction Works on the Land within six months from the date of the delivery of the Land and complete the Construction Works within two years from the commencement date of the Construction Works. The Group intends to move the Hangzhou production base to the Factory with automated production for disposable hygiene products. At such, the Group will benefit from the reduction of rental expenses. Also, the new production plant can help expanding the Group's production capacity in order to meet the surging demand of the Group's products from its customers, better realise its expansion plan and centralise its operation management. The Directors are of the view that the construction of the new plant provides an opportunity for the Group to realise such plan and is beneficial to the long-term development of the Group.

Based on the reasons above, the Directors are of the view that the terms and conditions of the Construction Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the design and production of automated machines for manufacturing disposable hygiene products.

## **INFORMATION ON THE CONTRACTOR**

The Contractor is a company established in the PRC with limited liability. Based on publicly available information and to the best knowledge, information and belief of the Directors, the Contractor principally engages in foundation works, superstructure works, electrical and mechanical engineering works, fire protection works, façade installation works and municipal public works. The Contractor is an indirect non wholly-owned subsidiary of Fujian Huidong Construction Engineering Co., Ltd. Trade Union Committee\* (福建省惠東建築工程有限公司工會委員會).

To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Contractor and their respective associates are Independent Third Parties as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in respect of the Construction Contract under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Construction Contract constitutes a major transaction and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Construction Contract and the transaction contemplated thereunder, and as such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Prestige Name, which holds an aggregate of 349,188,000 Shares representing approximately 61.92% of the entire issued share capital of the Company as at the date of this announcement.

On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) Written Shareholders' Approval has been obtained by the Company, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract and the transaction contemplated thereunder as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Construction Contract and the transaction contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the Listing Rules is expected to be despatched to the Shareholders on or before 2 September 2022 in accordance with Rule 14.41(a) of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

<b>“Announcements”</b>	the announcements published by the Company on 8 November 2021 and 5 January 2022 in respect of the Framework Agreement and the acquisition of land use rights of the Land
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Haina Intelligent Equipment International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on Main Board (stock code: 1645)
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Construction Work(s)”</b>	The construction works in respect of the Factory and other ancillary facilities situated on the Land
<b>“Construction Contract”</b>	The construction contract entered into between Haina Tongchuang and the Contractor on 15 August 2022 in respect of the Construction Works
<b>“Contractor”</b>	Fujian Huidong Construction Engineering Co., Ltd.* (福建省惠東建築工程有限公司), a company incorporated in the PRC
<b>“Director(s)”</b>	director(s) of the Company
<b>“Framework Agreement”</b>	the framework agreement entered into between Haina Tongchuang and the Municipal Qianjiang Economic Development Area Committee* (杭州錢江經濟開發區管理委員會)
<b>“Factory”</b>	a factory with a gross floor area of approximately 76,000 square meters, which will be principally engaged in the design and production of automated machines for manufacturing disposable hygiene products
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“Haina Tongchuang”</b>	Zhejiang Haina Tongchuang Intelligent Technology Company Limited* (浙江海納同創智能科技有限公司), an indirect wholly-owned subsidiary of the Company

<b>“Independent Third Party(ies)”</b>	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Group, its connected persons and their respective associates and not acting in concert with any substantial shareholder (as defined under the Listing Rules) of the Company within the meaning of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
<b>“Land”</b>	the land parcel located at the west side of Fengyun Road, Qianjiang Economic Development Area, Hangzhou City, Zhejiang Province, the PRC, with a total site area of approximately 27,594 square meters and permitted plot ratio of between 1.5 and 2.5, designated for industrial usage with term of use of 50 years, of which the land use rights of the land parcel has been acquired by the Company
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
<b>“PRC”</b>	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Prestige Name”</b>	Prestige Name International Limited (威名國際有限公司), a company incorporated in the BVI with liability limited by shares on 22 May 2017 and is owned as to 46.84%, 26.13%, 19.64%, 6.31% and 1.08% by Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, and Mr. Chang Chi Hsung respectively. Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, Mr. Chang Chi Hsung and Prestige Name are parties acting in concert pursuant to the acting in concert confirmation entered into on 4 March 2022 and each of them is controlling shareholder (as defined under the Listing Rules) of the Company as at the date of this announcement
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Share(s)”</b>	ordinary share(s) of the Company

“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Contract Price”	the contractual amount of approximately RMB265.60 million, subject to adjustment under the Construction Contract arising from market fluctuation of construction materials and labour costs
“Written Shareholders’ Approval”	the written approval dated 15 August 2022 given by Prestige Name in respect of the Construction Contract and the transaction contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board of  
**Haina Intelligent Equipment International Holdings Limited**  
**HONG Yiyuan**  
*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 15 August 2022

*As at the date of this announcement, the Board comprises Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya and Mr. He Ziping as executive Directors, Mr. Chang Chi Hsung as non-executive Director, and Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung as independent non-executive Directors.*

\* *For identification purpose only*