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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 RESEARCH AND DEVELOPMENT CENTRE

Financial adviser to the Company



THE CONSTRUCTION CONTRACT

The Board is pleased to announce that on 4 July 2023 (after trading hours), Jinjiang Haina and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works at the Consideration of RMB176,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in respect of the Construction Contract under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%, the Construction Contract constitutes a major transaction of the Company 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 total issued Shares 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 25 July 2023 in accordance with Rule 14.41(a) of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 4 July 2023 (after trading hours), Jinjiang Haina and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works at the Consideration of RMB176,000,000.

THE CONSTRUCTION CONTRACT

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

Date	:	4 July 2023
Parties	:	(i) Jinjiang Haina; and (ii) the Contractor.
Subject matter	:	The Contractor will act as the general contractor responsible for the Construction Works situated on the Land Parcel, with a total site area of approximately 72,638 square metres.
Commencement of the Construction Works	:	8 July 2023
Construction period	:	The Construction Works are expected to be completed within 365 days after commencement of the Construction Works.
Consideration	:	RMB176,000,000, which shall be a fixed total price under the Construction Contract. The Consideration is subject to any phased adjustments arising from fluctuations on market prices on steel, concrete, cement, electric wire and cable, and the phased adjustments will be settled in accordance with the progress of the project in physical shape.

In the event that the market price of the materials (including steel, concrete, cement, electric wire and cable) differs from the benchmark price (the benchmark price shall be subject to the publication of “Quanzhou Construction Cost Management Information”*(《泉州工程造价管理信息》) ” promulgated by Quanzhou City Construction Cost Management Station*(泉州市建设工程造价工程管理站) during the contract construction period) by not more than 5% (including 5%), the Consideration will remain unchanged. If the price difference exceeds 5%, the upward part of the excess is benefited by the Contractor, in contrast, the downward part of the excess is benefited by Jinjiang Haina.

The Directors do not consider that any adjustments to the Consideration would result in the transaction contemplated under the Construction Contract falling under a higher classification pursuant to Rule 14.06 of the Listing Rules. The Company will comply with any additional requirements under Chapter 14 of the Listing Rules should the Consideration be adjusted such that the transaction contemplated under the Construction Contract would fall under a higher classification pursuant to Rule 14.06 of the Listing Rules.

Payment terms

: *For the construction works of the main buildings*

- (i) after completion of the construction piles and maintenance piles, 80% of the price in relation to the respective parts shall be paid to the Contractor;
- (ii) basement parts: after completion of the foundation pit support (inclusive of civil engineering works), 80% of the price in relation to the respective parts shall be paid to the Contractor;
- (iii) after the completion of the basement and all foundation works, 80% of the price in relation to the respective parts shall be paid to the Contractor;
- (iv) for the factory no. 1, the factory no. 2 and the comprehensive building on the ground, 80% of the price in relation to the respective parts shall be paid to the Contractor after completion of the frame structure for every three floors of the main buildings, until the cappings of the main buildings are completed;

- (v) after completion and passing the acceptance checking of the main buildings works (including concrete works, masonry works, etc.), 80% of the price in relation to the completed parts of the main buildings works shall be paid to the Contractor;
- (vi) after completion of the façade decoration works and the removal of scaffoldings works, 80% of the price in relation to the respective parts shall be paid to the Contractor;
- (vii) after completion of all the construction works of the main buildings and passing the primary acceptance checking, 80% of the price for the respective parts of the completed construction works shall be paid to the Contractor;
- (viii) after completion of all the construction works of the main buildings and passing the acceptance checking, and the Contractor has passed all project materials to Urban Construction Archives, 92% of the total contract price shall be paid to the Contractor after Jinjiang Haina receiving the Archives Certificates; and
- (ix) after the completion and settlement of all the main buildings construction projects, 97% of the total project settlement amount will be paid to the Contractor, and the remaining 3% will be retained by Jinjiang Haina as quality guarantee deposit.

The above ratios are based on the fixed total price agreed in the Construction Contract.

For the construction works of other ancillary facilities

- (i) the project scope mainly includes road, walls, greening, parking spaces and other construction works; and
- (ii) after completion of the construction works mentioned in (i) above, 80% of the price (already included in the fixed total price) in relation to the respective parts shall be paid to the Contractor.

Performance guarantee : The Contractor shall issue a performance deposit to Jinjiang Haina in the amount of 3% of the Consideration, within 5 working days prior to the execution of the Construction Contract.

Defects liability period : The liability period of any defects of the Construction Works is 36 months commencing from the completion acceptance of the Construction Works by Jinjiang Haina.

BASIS OF THE CONSIDERATION

The Consideration was arrived at from a tender process whereby invitations to bid for the Construction Works were solicited by Jinjiang Haina and the tender submitted by the Contractor was considered the most appropriate after taking into account, among others things, the tender price. The Directors have also assessed the experience and competency of the Contractor, including its experience on construction projects with similar scale in the past five years, and inspected its quality of work at construction sites handled by the Contractor, before awarding the Construction Contract to the Contractor. In addition, the Directors have assessed the expected scope, complexity and quality of the Construction Works, and consider that the Consideration is fair and reasonable. The Consideration will be financed by the Group's internal resources and bank borrowings.

REASONS FOR AND BENEFIT OF ENTERING INTO THE CONSTRUCTION CONTRACT

Reference is made to the announcements of the Company dated 30 June 2022 and 28 April 2023 in respect of the acquisition of land use rights of the Land Parcel and the change in use of proceed of the Company, respectively. Jinjiang Haina has successfully bid the Land Parcel with a total site area of approximately 72,638 square metres, for the construction of the Research and Development Centre and other ancillary facilities.

The Research and Development Centre will help the Group to (i) provide development services for the products and shorten the transportation time for disassembling and re-assembling of raw materials during the Group's production process and facilitate staff deployment; (ii) better monitor the development of key products, shorten the preparation time for developing customized products, and further improve the research and development efficiency of new products; and (iii) improve cost efficiency, it is the plan of the Group to produce and process the components and parts that are used for the production of the Group's products on its own, instead of external procurement, which can reduce the time for procurement and optimise the production processes of equipment. On the other hand, the extra spaces on the Land Parcel will be used for the construction of a new manufacturing workshop and other office buildings.

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 COMPANY AND THE PARTIES TO THE CONSTRUCTION CONTRACT

The Company

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in the design and production of automated machines for manufacturing disposable hygiene products in the PRC.

Jinjiang Haina

Jinjiang Haina is a company established in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the design and production of machines for disposable hygiene products in the PRC.

The Contractor

The Contractor is a company established in the PRC with limited liability, which is principally engaged in the provision of industrial and civil construction engineering. It is owned as to 92% by Yang Jiankui* (楊劍奎) and 8% by Qiu Zhonghe* (邱忠河).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

LISTING RULES IMPLICATIONS

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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 total issued Shares 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 25 July 2023 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:

“Board”	the board of Directors
“Company”	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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by Jinjiang Haina to the Contractor under the Construction Contract, being RMB176,000,000
“Construction Contract”	the construction contract entered into between Jinjiang Haina and the Contractor on 4 July 2023 in respect of the Construction Works
“Construction Works”	the construction works in respect of the Research and Development Centre and other ancillary facilities situated on the Land Parcel
“Contractor”	HUIYU(FJ)CONSTRUCTION PROJELE COM.,LTD (福建省惠裕建设工程有限公司), a company established in the PRC with limited liability, which is principally engaged in the provision of industrial and civil construction engineering
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	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

“Jinjiang Haina”	Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Land Parcel”	the parcel of land located in Tonglin Village, Anhai Town, Fujian Province, the PRC, with a total site area of approximately 72,638 square metres and designated for industrial usage with term of use of 50 years, of which the land use rights has been acquired by Jinjiang Haina
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	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
“PRC”	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
“Prestige Name”	Prestige Name International Limited (威名國際有限公司), a company incorporated in the British Virgin Islands 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
“Research and Development Centre”	a research and development centre to be constructed on the Land Parcel
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Written Shareholders’ Approval” the written approval dated 4 July 2023 given by Prestige Name in respect of the Construction Contract and the transaction contemplated thereunder

“%” per cent

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

Hong Kong, 4 July 2023

As at the date of this announcement, the Company has four executive Directors, namely Mr. Hong Yiyuan (Chairman), Mr. Zhang Zhixiong, Mr. Su Chengya and Mr. He Ziping, one non-executive Director, namely Mr. Chang Chi Hsung and three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Ms. Chan Man Yi.

* *For identification purpose only*