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HAO BAI INTERNATIONAL (CAYMAN) LIMITED
浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8431)

**ISSUE OF NEW SHARES UNDER GENERAL MANDATE
FOR DEBT CAPITALISATION**

DEBT CAPITALISATION

After trading hours of the Stock Exchange on 13 August 2024, Hao Bai International (Cayman) Limited (the “**Company**”) and the Creditor entered into the Agreement, pursuant to which, subject to fulfilment of the conditions thereof, the Company has agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 22,560,000 Capitalisation Shares at the price of HK\$0.135 per Share in settlement of the Partial Indebted Sum.

The Capitalisation Shares represent (i) approximately 7.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The allotment and issue of the Capitalisation Shares will be pursuant to the General Mandate, and is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

During the period from 1 November 2022 to 3 May 2024, the Creditor has granted several loans to the Company with an aggregate sum of HK\$6,192,800, bearing an interest rate of 5% per annum as at the date of this announcement. Approximately HK\$3,000,000 of the above loans will be due on 30 September 2024.

After negotiation with the Creditor, the Board announces that on 13 August 2024 (after trading hours of the Stock Exchange), the Company and the Creditor have agreed to settle the Partial Indebted Sum of approximately HK\$3,045,000 by way of allotment and issue of a total of 22,560,000 Capitalisation Shares at the price of HK\$0.135 per Share to the Creditor, subject to (i) the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares to be allotted and issued; and (ii) compliance with the applicable rules and regulations under the Listing Rules.

THE DEBT CAPITALISATION

Date

13 August 2024 (after trading hours of the Stock Exchange)

Issuer

The Company

Subscriber

The Creditor is a natural person who is a Hong Kong resident. To the best of the Directors' information and belief after having made all reasonable enquiries, the Creditor is third party independent of the Company and its connected persons.

Debt Capitalisation

The Partial Indebted Sum forms part of the aggregated outstanding amount due to the Creditor. The Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 22,560,000 Capitalisation Shares at the Subscription Price of HK\$0.135 per Share in settlement of the Partial Indebted Sum.

Capitalisation Shares

22,560,000 new Shares will be issued under the Debt Capitalisation.

The Capitalisation Shares represent (i) approximately 7.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The Capitalisation Shares have an aggregate nominal value of HK\$2,256,000.

Subscription Price

HK\$0.135 per Capitalisation Share, representing:

- (a) a discount of approximately 4.9% to the closing price of HK\$0.142 per Share as quoted on the Stock Exchange on 13 August 2024, being the date of the Agreement; and
- (b) a discount of approximately 8.2% to the average closing price of HK\$0.147 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Agreement.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Creditor and with reference to the market conditions and the prevailing market price of the Shares. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Debt Capitalisation contemplated thereunder involves the capitalisation of the Partial Indebted Sum into 22,560,000 Capitalisation Shares of HK\$0.135 per Share, and the Company will use its internal resources to settle the professional fees and all other related expenses which may be borne by the Company in connection with the Debt Capitalisation. The net issue price per Capitalisation Share will be HK\$0.135.

There will be no cash proceeds arising from the issue of the Capitalisation Shares as all the Subscription Prices will be set off against the debts owing by the Company to the Creditor on a dollar-to-dollar basis.

General Mandate

The Capitalisation Shares will be issued under the General Mandate granted to Directors to allot, issue and deal with 39,068,000 new Shares. As at the date of this announcement, save for 16,500,000 new Shares being issued on 1 March 2024 for the acquisition of the target company (details of which are set out in the announcements of the Company dated 26 January 2024, 29 January 2024, 16 February 2024 and 1 March 2024), no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, 22,568,000 Shares remain available for allotment and issuance under the General Mandate which is sufficient for the issue of the Capitalisation Shares. As a result, the issue of the Capitalisation Shares is not subject to separate Shareholders' approval.

Following the allotment and issue of the Capitalisation Shares, there will be 8,000 Shares remained for allotment and issue under the General Mandate.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when fully paid, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Debt Capitalisation, including the right to any dividends or distributions after the date of allotment.

Closing condition to the Debt Capitalisation

The Closing is subject to and conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares, and not having withdrawn or revoked such grant and permission; and
- (ii) the Company having obtained all the necessary approvals and permission for the Agreement and the transactions contemplated thereunder.

All the above conditions are not waivable. As at the date of this announcement, none of the conditions has been fulfilled.

Completion of the Debt Capitalisation

Completion of the Debt Capitalisation will take place within 7 days after the date upon which the condition mentioned above has been satisfied. If such condition is not fulfilled, the Debt Capitalisation will not proceed.

FUND-RAISING EXERCISE IN THE PAST 12 MONTHS

On 31 July 2023, the Company proposed to conduct the Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share, to raise up to HK\$19.534 million before expenses by way of issuing up to 97,670,000 Rights Shares (“**Rights Issue**”). On 8 September 2023, the Company issued 97,670,000 Rights Shares and the net proceeds from the Rights Issue were approximately HK\$18.33 million. Please refer to the announcements of the Company dated 8 September 2023 and 17 August 2023 and the circular dated 31 July 2023 for further information.

Save for the Rights Issue, the Company had not conducted any equity fund-raising activity in the past 12 months immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming there will be no change in the issued share capital of the Company from the date of the Agreement and up to the Closing Date save for the allotment and issue of the Capitalisation Shares and the Creditor will not hold any other Shares save for the Capitalisation Shares on the Closing Date, the effect on the shareholding structure of the Company as a result of the Debt Capitalisation will be as follows:

	As at the date of this announcement		Immediately after completion of the Debt Capitalisation	
	<i>Number of shares</i>	<i>Approximate shareholding percentage (%)</i>	<i>Number of shares</i>	<i>Approximate shareholding percentage (%)</i>
Harmony Asia International Limited (<i>Note 1</i>)	61,795,000	19.97%	61,795,000	18.61%
Mr. Zhang Jiachun	24,285,000	7.85%	24,285,000	7.31%
Mr. Wong King Man	16,500,000	5.33%	16,500,000	4.97%
Zhuiri Law and Business International Holding Group Limited	15,600,000	5.04%	15,600,000	4.70%
Ms. Li Dongyan	15,600,000	5.04%	15,600,000	4.70%
Public Shareholders				
The Creditor	–	–	22,560,000	6.79%
Other public Shareholders	175,730,000	56.78%	175,730,000	52.92%
Total	309,510,000	100.00%	332,070,000	100.00%

Note:

1. Harmony Asia International Limited is a company incorporated in Samoa which is wholly-owned by Mr. Nam Ho Kwan, a former executive Director, the chairman of the Board, and chief executive officer of the Company who resigned from such positions with effect from 5 October 2022. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International Limited by virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

REASONS AND BENEFITS FOR THE DEBT CAPITALISATION

The Group is principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains.

As disclosed in the 2024 Annual Report, notwithstanding the fact that the business performance of the Group has been indicating a sign of improvement as a result of the hard effort contributed by the management of the Company to expand its business operations into the Mainland China while continuing to participate in the tendering process with various construction or property development companies in Hong Kong, the financial position of the Group was still very tight.

As at 31 March 2024, the Group had bank balances and cash of approximately HK\$0.17 million, trade payables of approximately HK\$20.90 million, and bank loans due within one year of approximately HK\$2.64 million. The management of the Group has been in negotiations with the relevant banks in respect of the repayment of the bank loans, however, no definitive agreement has been concluded as at the date of this announcement. Whilst the Group will continue with its negotiations with the relevant creditors of the Group in respect of the debts which are overdue and/or will become due, the Directors consider that the Debt Capitalisation will allow the Company to settle the Partial Indebted Sum without utilising existing financial resources of the Company while reducing the gearing level of the Group and hence strengthening the financial position of the Group.

The Directors consider the terms of the Debt Capitalisation, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties thereto, are fair and reasonable, and the and Debt Capitalisation are in the interests of the Company and Shareholders as a whole.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“2023 AGM”	the annual general meeting of the Company held on 29 September 2023
“2024 Annual Report”	the annual report of the Company for the financial year ended 31 March 2024 published on 29 July 2024
“Board”	the board of Directors
“Capitalisation Share(s)”	22,560,000 new Shares to be allotted and issued by the Company to the Creditor in settlement of the Partial Indebted Sum
“Company”	Hao Bai International (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8431)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditor”	Ms. Leung, Yan Fan Youki (梁潤芬), a Hong Kong citizen and a third party independent of the Company and its connected persons
“Debt Capitalisation”	the capitalisation of the Partial Indebted Sum owed by the Group to the Creditor
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2023 AGM to allot and issue up to 39,068,000 new Shares, representing 20% of the issued share capital of the Company on the date of the 2023 AGM
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and consolidated affiliated entity(ies)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Partial Indebted Sum”	a sum of approximately HK\$3,045,000 owed by the Company to Creditor
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.1 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.135 per Capitalisation Share
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent.

By the Order of the Board
Hao Bai International (Cayman) Limited
Shu Zhongwen
Chief Executive Officer and Executive Director

Hong Kong, 13 August 2024

As at the date of this announcement, the executive Directors are Mr. Shu Zhongwen, Ms. Wong Wing Hung, Mr. Ng Wan Lok, Mr. Wang Xinliang and Mr. Chung Yu Ching; and the independent non-executive Directors are Mr. Ma Meng, Mr. Li Ruyi, Mr. Yuen Wai Keung and Mr. Cheung Hiu Fung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting. This announcement will also be published and remained on the Company’s website at <https://www.irasia.com/listco/hk/haobai/>.