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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 SPECIFIC MANDATE
FOR DEBT CAPITALISATION**

DEBT CAPITALISATION

After trading hours of the Stock Exchange on 18 February 2025, the Company and the Creditors entered into the Agreements, pursuant to which, subject to fulfilment of the conditions thereof, the Company has agreed to allot and issue, and the Creditors have conditionally agreed to subscribe for a total of 33,000,000 Capitalisation Shares at the price of HK\$0.12 per Share in settlement of the Partial Indebted Sum.

As at the date of this announcement, the Company has 421,930,000 Shares in issue. The Capitalisation Shares in aggregate represent (i) approximately 7.82% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.25% 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 Specific Mandate. The EGM will be convened by the Company to seek the approvals from the Shareholders.

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.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve (i) the Agreements and the transaction contemplated thereunder; (ii) the allotment and issue of the Capitalisation Shares; and (iii) the grant of the Specific Mandate. To the best information, knowledge and belief of the Board having made all reasonable enquiries, as at the date of this announcement, Creditor A and Creditor B are interested in 30,690,000 Shares and 7,740,000 Shares respectively, representing approximately 7.27% and 1.83% respectively. Given that Creditor A and Creditor B have material interest in the Agreements as being the parties to the Agreements, they are required to abstain from voting in respect of the proposed resolutions for approving the Agreements and the transactions contemplated thereunder (including the Specific Mandate) at the EGM. To the best of the Directors' knowledge, no Shareholder (other than Creditor A and Creditor B) is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Agreements; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Debt Capitalisation is subject to fulfillment of the conditions precedent under the Agreements. As the Debt Capitalisation may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

BACKGROUND OF THE DEBT CAPITALISATION

During the period from 1 November 2022 to 31 December 2024, the Creditors have granted several loans to the Company with an aggregate sum of approximately HK\$5,000,000, bearing an interest rate of 5% per annum as at the date of this announcement. Approximately HK\$4,000,000 of the above loans will be due in June 2025.

After negotiation with the Creditors, the Board announces that on 18 February 2025 (after trading hours of the Stock Exchange), the Company and the Creditors have agreed to settle the Partial Indebted Sum of approximately HK\$3,960,000 by way of allotment and issue of a total of 33,000,000 Capitalisation Shares at the price of HK\$0.120 per Share to the Creditors, subject to (i) approvals by the Shareholders at the EGM; (ii) the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares to be allotted and issued; and (iii) compliance with the applicable rules and regulations under the Listing Rules.

THE AGREEMENTS

Save as (i) the parties to the Agreements; and (ii) the number of Capitalisation Shares to be subscribed by each of the Creditor A, the Creditor B and the Creditor C, the terms of each Agreement are materially the same and are not inter-conditional. Principal terms and conditions of the Agreements are summarised as follows:

Date

18 February 2025 (after trading hours of the Stock Exchange)

Issuer

The Company

Creditors

Ms. Leung Yan Fan Youki (梁潤芬) is Creditor A, a natural person who is a Hong Kong resident. To the best of the Directors' information and belief after having made all reasonable enquiries, Creditor A is third party independent of the Company and its connected persons.

Ms. Hui Lai Ngar (許麗雅) is Creditor B, a natural person who is a Hong Kong resident. To the best of the Directors' information and belief after having made all reasonable enquiries, Creditor B is third party independent of the Company and its connected persons.

Mr. Lam Chi Yin Henry (林智然) is Creditor C, a natural person who is a Hong Kong resident. To the best of the Directors' information and belief after having made all reasonable enquiries, Creditor C is third party independent of the Company and its connected persons.

To the best of the Directors' information and belief after having made all reasonable enquiries, Creditor A, Creditor B and Creditor C are third party independent between each other and its connected persons.

Debt Capitalisation

The Partial Indebted Sum forms part of the aggregated outstanding amount due to the Creditors. The Company has conditionally agreed to allot and issue, and the Creditors have conditionally agreed to subscribe for a total of 33,000,000 Capitalisation Shares at the Subscription Price of HK\$0.120 per Share in settlement of the Partial Indebted Sum.

Capitalisation Shares

An aggregate of 33,000,000 new Shares will be issued under the Debt Capitalisation, which includes:

Creditor A: 11,000,000 Capitalisation Shares

Creditor B: 13,700,000 Capitalisation Shares

Creditor C: 8,300,000 Capitalisation Shares

The aggregate Capitalisation Shares represent (i) approximately 7.82% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.25% 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 aggregate Capitalisation Shares have an aggregate nominal value of HK\$3,300,000.

Subscription Price

HK\$0.120 per Capitalisation Share, representing:

- (a) a premium of approximately 500% to the closing price of HK\$0.024 per Share as quoted on the Stock Exchange on the date of the Agreements; and
- (b) a premium of approximately 444.44% to the average closing prices per Share of HK\$0.027 for the last five consecutive trading days immediately prior to the date of this announcement.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Creditors 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 33,000,000 Capitalisation Shares of HK\$0.120 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\$0.120.

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 Creditors on a dollar-to-dollar basis.

Conditions Precedent

Completion shall be subject to the fulfilment of the following conditions:

- (a) the GEM Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscribers shall reasonably object) the listing of, and permission to deal in, the Capitalisation Shares;
- (b) the passing of the ordinary resolution by the Shareholders at the EGM to approve the Agreements and the transactions contemplated hereunder, including the grant of the Specific Mandate;
- (c) the deed of settlement entered into between the Company and the Subscribers in relation to the settlement of the Indebted Amount by the Company to the Subscribers having been executed and come into effect;
- (d) the Company and the Subscribers shall have complied with all the requirements under the GEM Listing Rules in connection with the Subscription and the approval of the Board shall have been obtained; and
- (e) any other necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies or such other third parties as may be required by applicable laws, rules or regulations for the Subscription shall have been obtained.

If any of the Conditions Precedent is not fulfilled on or before the Long Stop Date, the Agreements will lapse and become null and void and the parties to the Agreements will be released from all obligations and liabilities thereunder, save for the liabilities for any antecedent breaches thereof.

As at the date of this announcement, save and except for Condition Precedent (a) to (c) which has yet to be satisfied, all other aforesaid Conditions Precedent have been fulfilled.

Completion

Subject to the fulfilment of the Conditions Precedent, Completion shall take place on the Completion Date, at such place and at such time as the Company and the Creditors may agree, and each party to the Agreements shall perform its obligations in relation to Completion as set out in the Agreements.

Without prejudice to any other remedies available to either the Company or the Creditors, if the requirements set out in the Agreements are not complied with in any respect by either the Company or the Creditors on the Completion Date, the non-defaulting party may:

- (a) proceed to the Completion so far as practicable and in any case without prejudice to its rights under the Agreements; or
- (b) postpone the Completion to a date (being a Business Day) falling not more than 30 days after the date set for the Completion in accordance with the Agreements; or
- (c) rescind the Agreements without liability to the non-defaulting party whereupon and from such date the provisions of the Agreements (other than the confidentiality provision which shall remain in full force and effect) shall have no effect and no party to the Agreements shall have any liability under them (without prejudice to the rights of either party to the Agreements in respect of any antecedent breach of any provisions of the Agreements).

SPECIFIC MANDATE TO ISSUE THE CAPITALISATION SHARES

The Capitalisation Shares will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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 Interim Report, the business performance of the Group remained very challenging and the financial position of the Group was tight.

As at 30 September 2024, the Group had bank balances and cash of approximately HK\$0.22 million and bank and other borrowings due within one year of approximately HK\$5.75 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 Capitalisation Shares will allow the Company to settle the Partial Indebted Sum without utilising existing financial resources of the Company and hence strengthening the financial position of the Group.

The Company and the Creditors have agreed to refinance the Indebted Amount by issuing the Capitalisation Shares to settle the Partial Indebted Sum and extending the maturity date of the remaining outstanding indebted amount. This decision was made after considering two important factors: (i) extending the maturity date of the Indebted Amount will allow the Group to defer a significant cash flow, giving it a reasonable amount of time to improve its financial performance and net current liabilities position; and (ii) maintaining a positive relationship with the Creditors would enable the Group to continue its business relationships with the Creditors.

The Company has explored different ways of raising funds to repay the Indebted Amount, such as debt financing, rights issue, open offer, and Share placement. However, due to the Group's recent loss position, the Company believes that obtaining additional debt financing from banks or financial institutions may result in unfavorable financing terms and lengthy negotiations. On the other hand, rights issue, open offer or Share placement would require identifying suitable underwriters/placing agents and negotiating terms with them. Preparing compliance and legal documents, along with other application and administrative procedures, is relatively more time-consuming and less cost-effective. Furthermore, under the current volatile market condition, it is challenging to estimate market demand and have certainty in successful fund-raising.

In addition, although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Shareholders, the Directors believe that the Subscription will help the Group alleviate repayment pressure, strengthen its capital structure, and retain cashflow for future business development. Therefore, the dilution effect is considered justifiable. After assessing the pros and cons of various fund raising alternatives, the Company has concluded that the Subscription is a more efficient, cost-effective, and appropriate method of raising funds for the Group.

Based on the above, the Directors consider the terms of the Agreements to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Meanwhile, the Board is actively considering a proposal on a capital reorganisation which will include a share consolidation in the view that the Shares had been traded below HK\$0.1 in the past few months (based on the closing price per Share as quoted on the Stock Exchange). Details of a proposal on the capital reorganisation will be announced as and when appropriate.

FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fundraising activities in the past twelve months immediately preceding the date of this announcement:

Date of announcements	Fund raising activity	Net Proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds as at the date of this announcement
13 August 2024 and 19 August 2024	Subscription of new Shares under general mandate for debt capitalisation	HK\$3.046 million	Debt capitalisation	HK\$3.046 million has been applied for debt capitalisation
22 August 2024 and 26 August 2024	Subscription of new Shares under general mandate for debt capitalisation	HK\$2.638 million	Debt capitalisation	HK\$2.638 million has been applied for debt capitalisation
5 November 2024, 6 November 2024 and 12 November 2024	Subscription of new Shares under general mandate for debt capitalisation	HK\$2.250 million	Debt capitalisation	HK\$2.250 million has been applied for debt capitalisation

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there will be no change in the issued share capital of the Company from the date of the Agreements and up to the Closing Date, save for the allotment and issue of the Capitalisation Shares and the Creditors will not hold any other Shares (other than disclosed in this announcement) 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:

Name of Shareholder	As at the date of this announcement		Immediately after Debt Capitalisation	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Name of Shareholder Harmony Asia International Limited (<i>Note 1</i>)	61,795,000	14.65%	61,795,000	13.58%
Public Shareholders Ms. Leung Yan Fan Youki (Creditor A)	30,690,000	7.27%	41,690,000	9.16%
Ms. Hui Lai Ngar (Creditor B)	7,740,000	1.83%	21,440,000	4.71%
Mr. Lam Chi Yin Henry (Creditor C)	–	–	8,300,000	1.82%
Other public Shareholders	321,705,000	76.25%	321,705,000	70.72%
Total	<u>421,930,000</u>	<u>100.00%</u>	<u>454,930,000</u>	<u>100.00%</u>

Note:

- 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).

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve (i) the Agreements and the transaction contemplated thereunder; (ii) the allotment and issue of the Capitalisation Shares; and (iii) the grant of the Specific Mandate. To the best information, knowledge and belief of the Board having made all reasonable enquiries, as at the date of this announcement, Creditor A and Creditor B are interested in 30,690,000 Shares and 7,740,000 Shares respectively, representing approximately 7.27% and 1.83% respectively. Given that Creditor A and Creditor B have material interest in the Agreements as being the parties to the Agreements, they are required to abstain from voting in respect of the proposed resolutions for approving the Agreements and the transactions contemplated thereunder (including the Specific Mandate) at the EGM. To the best of the Directors' knowledge, no Shareholder (other than Creditor A and Creditor B) is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Agreements; and (ii) the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions precedent under the Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

“Agreement A”	the conditional subscription agreement dated 18 February 2025 entered into between the Company and Creditor A to subscribe for 11,000,000 Capitalisation Shares at the Subscription Price
“Agreement B”	the conditional subscription agreement dated 18 February 2025 entered into between the Company and Subscriber B to subscribe for 13,700,000 Capitalisation Shares at the Subscription Price
“Agreement C”	the conditional subscription agreement dated 18 February 2025 entered into between the Company and Subscriber C to subscribe for 8,300,000 Capitalisation Shares at the Subscription Price
“Agreements”	Agreement A, Agreement B and Agreement C
“Board”	board of Director(s)
“Business Day(s)”	any day(s) on which banks in Hong Kong are generally open for business (other than a Saturday, Sunday, public holiday or any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Capitalisation Share(s)”	33,000,000 new Shares to be allotted and issued by the Company to the Creditors 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)
“Completion”	completion of the Capitalisation Shares in accordance with the Agreements
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Creditor A”	Ms. Leung Yan Fan Youki, a Hong Kong citizen and a third party independent of the Company and its connected persons
“Creditor B”	Ms. Hui Lai Ngar, a Hong Kong citizen and a third party independent of the Company and its connected persons
“Creditor C”	Mr. Lam Chi Yin Henry, a Hong Kong citizen and a third party independent of the Company and its connected persons
“Creditors”	Creditor A, Creditor B and Creditor C
“Debt Capitalisation”	the capitalisation of the Partial Indebted Sum owed by the Group to the Creditors
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Specific Mandate
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“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
“Indebted Amount”	the amount of payables due to the Creditors in the aggregate sum of approximately HK\$5,000,000

“Independent Third Party(ies)”	person(s) or entity(ies) who is/are third party(ies) independent of, and not connected with the Company and any of its respective connected persons
“Long Stop Date”	17 April 2025 (or such other date as the Company and the Creditors may mutually agree in writing)
“Partial Indebted Sum”	a sum of approximately HK\$3,960,000 owed by the Company to Creditors
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Share(s)”	ordinary share(s) of nominal or par value 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
“Subscription”	the subscription of the Capitalisation Shares by the Creditors pursuant to the Agreements
“Subscription Price”	HK\$0.120 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 order of the Board
Hao Bai International (Cayman) Limited
Ng Wan Lok
Executive Director

Hong Kong, 18 February 2025

As at the date of this announcement, the executive Directors are Mr. Ng Wan Lok and Ms. Wong Wing Hung; the non-executive Director is Ms. Shu Huajuan and the independent non-executive Directors are Mr. Yuen Wai Keung, Mr. Cheung Hiu Fung and Mr. Yiu Chi Wai.

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/>.