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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Hao Bai International (Cayman) Limited (the “Company”) dated 16 May 2017 (the “Prospectus”) in relation to the public offering (the “Public Offering”) of the Company’s shares for the listing on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the paragraph headed “Use of Proceeds from Listing” in the Annual Report 2019/20 of the Company that the Company intended to use the net proceeds of approximately HK\$38.0 million from the Public Offering (the “Net Proceeds”) for the following purposes:

- approximately HK\$19.4 million, representing approximately 51.2% of the net proceeds, for strengthening of our leading position in the water-related facility service market in Hong Kong and Macau by enhancing our capital base to undertake more projects;
- approximately HK\$7.6 million, representing approximately 19.9% of the net proceeds, for repayment of bank borrowings;
- approximately HK\$3.6 million, representing approximately 9.4% of the net proceeds, for strengthening our technical and project management capabilities;
- approximately HK\$2.5 million, representing approximately 6.5% of the net proceeds, for establishing a Macau office/warehouse;
- approximately HK\$1.6 million, representing approximately 4.2% of the net proceeds, for purchase of tools and equipment; and
- approximately HK\$3.3 million, representing approximately 8.8% of the net proceeds, will be used as general working capital of our Group.

There is approximately HK\$22.5 million of the Net Proceeds remain unutilised as at the date of this announcement.

CHANGE IN USE OF PROCEEDS

For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Net Proceeds” below, the Board has resolved to re-allocate the use of the remaining unutilised Net Proceeds which were originally allocated for (i) strengthening of the Group’s industry position and expansion of business; (ii) establishing a Macau office/warehouse and (iii) purchase of tools and equipment, to (i) repayment of bank borrowings and (ii) general working capital of the Group. Breakdown of the application of Net Proceeds pursuant to allocation as disclosed in the Prospectus, breakdown of the Net Proceeds utilised up to the date of this announcement, the proposed change of use of the remaining unutilised Net Proceeds (the “**Proposed Change**”) and the expected timeline for the unutilised Net Proceeds after the Proposed Change are summarised as follows:

	Application of Net Proceeds pursuant to allocation as disclosed in the Prospectus <i>HK\$ million</i> <i>(Approximately)</i>	Utilised Net Proceeds up to the date of this announcement <i>HK\$ million</i> <i>(Approximately)</i>	Unutilised Net Proceeds at the date of this announcement <i>HK\$ million</i> <i>(Approximately)</i>	Revised use of the unutilised Net Proceeds <i>HK\$ million</i> <i>(Approximately)</i>	Expected timeline for unutilised Net Proceeds
Strengthening of the Group’s industry position and expansion of business	19.4	0.8	18.6	–	
Repayment of bank borrowings	7.6	7.6	–	20.0	31 December 2020
Strengthening of the Group’s technical and project management capabilities	3.6	3.6	–	–	
Establishing of a Macau office/warehouse	2.5	0.2	2.3	–	
Purchase of tools and equipment	1.6	–	1.6	–	
General working capital	3.3	3.3	–	2.5	31 March 2021
Total	38.0	15.5	22.5	22.5	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

The Group originally allocated approximately HK\$19.4 million for strengthening the industry position of the Group and intended to use the proceeds to satisfy the performance bond requirement. As affected by the extremely weak business sentiment in both Hong Kong and Macau, number of new construction or property development projects in the market has decreased drastically, which led to extreme keen competition in tendering for new projects for water circulation systems. Despite the Group's effort in tendering projects, no new project with contract sum over HK\$20 million has been awarded to the Group since 1 April 2018. Furthermore, the customers' confidence in the Group was enhanced with the Listing of the Company and the Group has been able to negotiate for better commercial terms, including the waiver of the requirement of performance bond, in certain projects since the Listing. As such, at the date of this announcement, only approximately HK\$0.8 million has been utilised to satisfy requirement of performance bond. In view of the above factors, the Board considered that the unutilised amount of the Net Proceeds for the strengthening of the Group's position in the industry and expansion of business by using it to satisfy the performance bond requirement will not be utilised as intended in short term.

The Group also originally allocated (i) approximately HK\$2.5 million for the establishment of a Macau office/warehouse and (ii) approximately HK\$1.6 million for purchase tools and equipment. In light of the uncertainty in the recovery of the macroeconomic condition due to travel restrictions and lockdown measures imposed in order to control the COVID-19 pandemic, the Board also considered that it is prudent to reduce capital expenditure of the Group and therefore has resolved to halt the plan to establish a Macau office/warehouse and purchase tools and equipment in light of the market uncertainty in the short-term.

Hong Kong has been undergoing a historic economic downturn which is spawned by months of the large-scale protests, violent demonstrations and the continued outbreak of COVID-19. The impact of COVID-19 pandemic has created unprecedented challenges for the Group. As at the date of this announcement, there is no signs that the COVID-19 might end soon. Accordingly, the Group needs to adopt a more effective policy to maintain its existing business operations and cash flow liquidity and implement cost saving measures.

As such, the Board has resolved to reallocate part of the unutilised Net Proceeds of HK\$20 million to repay revolving loans of HK\$17 million (which carries interest rate at 0.75% over the HKD prime rate per annum) and bank overdraft of HK\$3 million (which carries interest rate at 1.75% over the HKD prime rate or overnight HIBOR, whichever is higher, per annum) in order to reduce the finance cost of the Group and increase profitability of the Group. The revolving loan will mature in December 2020 and the loan repayment is expected to reduce the finance cost of the Group in the amount of approximately HK\$1.2 million per year.

The Board also considered that it is prudent and necessary for the Group to maintain sufficient working capital in preparation of any market upheaval. In view of the circumstances, the Board has resolved to allocate approximately HK\$2.5 million out of the unutilised Net Proceeds as general working capital of the Group.

The Board is of the view that the re-allocation of the unutilised Net Proceeds will be more favorable to the Group's long-term business development as well as a better utilisation of the unutilised Net Proceeds. The Board confirms there is no material change in business nature of the Group as set out in the Prospectus. The Board considers that the Proposed Change is in the best interest of the Company and its shareholders as a whole. The Proposed Change will allow the Company to deploy its financial resources more effectively. The Directors will continuously assess the plans for the use of the unutilised Net Proceeds and may revise or amend such plans where necessary, to reduce the impacts of COVID-19 and strive for better business performance of the Group.

By order of the Board
Hao Bai International (Cayman) Limited
Nam Ho Kwan
Chairman and Chief Executive Officer

Hong Kong, 18 September 2020

As at the date of this announcement, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok, Ms. Wong Wing Hung and Ms. Wang Rui; and the independent non-executive Directors are Mr. Chen Lei, Mr. Tsang Yung Fat and Dr. Lam King Sun Frankie.

This announcement, for which the directors of the Company 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 for the purpose of giving information with regard to the Company. The directors of the Company, 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 GEM website at www.hkgem.com 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 www.harmonyasia.com.