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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 26 January 2024 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share at the Consideration. The Consideration will be satisfied by procuring the Company to allot and issue the Consideration Shares to the Vendor.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As the Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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THE SALE AND PURCHASE AGREEMENT

Date: 26 January 2024 (after trading hours)

Parties: (1) Mega Charm International Holdings Limited (as the Purchaser);
and
(2) Mr. Wong King Man (as the Vendor)

The Target Company is wholly-owned by the Vendor. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company. Upon completion of the Re-Organisation, the Target Company will be interested in 15% partnership interests in Wing Keung Co..

Consideration

The consideration for the sale and purchase of the Sale Share is HK\$2,700,000, which shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor on the Completion Date.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the financial performance of Wing Keung Co.; (ii) the appraised value of 100% equity interest in the Target Company of HK\$2,700,000 as at 30 November 2023 (the "**Valuation**") prepared by an independent professional valuer (the "**Valuer**"), Weisi Limited adopting market approach, assuming that the Re-Organisation has been completed; and (iii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

Details of the valuation

As advised by the Valuer, the Valuation was conducted in accordance with the International Valuation Standards issued by the International Valuation Standards Committee.

Furthermore, the Valuer has considered the generally adopted valuation methodologies namely the cost approach, the income approach and the market approach. As confirmed by the Valuer, the Valuation has been conducted based on market approach for the following reasons:

- the cost approach was inappropriate for valuing the subject business as this approach does not directly incorporate information about the economic benefits contributed by the subject business;
- the income approach was not adopted because a lot of assumptions would have to be made and the Valuation could be largely influenced by any inappropriate assumptions made; and
- the market approach was adopted as the underlying business of the Target Company is engaged in construction industry in Hong Kong, sufficient comparable companies with similar business can be located in the market to benchmark the value of the Target Company. The Valuer has advised that it has chosen six comparable companies which are all profit making Hong Kong-based construction companies and listed on the Stock Exchange, which the Valuer considered exhaustive and representative.

Having considered (i) the Valuation was prepared by the Valuer in accordance with the applicable requirements and standards; and (ii) that the Valuer has considered the generally accepted business enterprise valuation approaches and the circumstances of the Target Company before considered to adopt market approach, the Board is of the view that the adoption of market approach for the Valuations is fair and reasonable.

The key input and parameters adopted in the Valuation are as follows:

Net profits after taxation of Wing Keung Co. for the twelve-month period from 1 December 2022 to 30 November 2023	Approximately HK\$3,184,000
PE ratio adopted (<i>Note 1</i>)	Approximately 7.46
Discounts For Lack Of Marketability adopted with reference to the SBBI Valuation Book (2021), being a reference book commonly adopted by valuer	25%
Valuation outcome of the underlying asset of the Target Company (i.e. 15% partnership interests in Wing Keung Co.)	HK\$2,700,000

Note:

1. The PE ratio was determined with reference to the PE ratios of six comparable companies identified by the Valuer, all of which are profit making Hong Kong-based construction companies and listed on the Stock Exchange which the Valuer considered exhaustive and representative.

Having considered the above, the Directors consider the Consideration is fair and reasonable in this regard.

Conditions

Completion is subject to the satisfaction (or waiver) of all of the following conditions:

- (A) the Purchaser having completed its business, legal, financial and management due diligence of the Target Company and Wing Keung Co. and is satisfied with the result thereof;
- (B) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;
- (C) no event having occurred since the date of the Sale and Purchase Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Company and Wing Keung Co. and such material adverse effect shall not have been caused;
- (D) the representations and warranties provided by the relevant parties to the Sale and Purchase Agreement being true, correct and accurate in all material respects as of Completion;
- (E) all reasonably relevant approvals, consents, licences and/or permits in relation to the Acquisition contemplated hereunder having been obtained; and
- (F) the Re-Organisation having become effective.

None of the above conditions can be waived. If the above conditions have not been fulfilled on or before 16 February 2024 (or such other date as the parties may agree in writing), the provisions of the Sale and Purchase Agreement (other than the clauses regarding conditions precedent, confidentiality, costs, notice, governing law and service of process shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties thereto in respect of antecedent breaches)).

Completion

Completion shall take place within seven (7) Business Days after the last of the above conditions are satisfied.

Upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Company. The Target Company's 15% partnership interests in Wing Keung Co. upon completion of the Re-Organisation will be accounted for as available-for-sale investment and the financial results of Wing Keung Co. will not be consolidated into the financial statements of the Company.

Consideration Shares

The 16,500,000 Consideration Shares will be allotted and issued to Vendor upon Completion, representing approximately 5.63% of the issued share capital of the Company as at the date of this announcement and approximately 5.33% of the issued share capital of the Company as enlarged by the Consideration Shares.

The issue price of each Consideration Share is approximately HK\$0.1636, which represents:

- (i) a discount of approximately 18.20% to the closing price of HK\$0.20 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 18.28% to the average closing price of HK\$0.2002 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day.

The issue price per Consideration Share was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the recent share price of the Company. Accordingly, the Directors consider that the issue price is fair and reasonable and the allotment and issue of the Consideration Shares at such issue price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares then in issue. The nominal value of the Consideration Share is HK\$1,650,000.

The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

General Mandate to allot and issue the Consideration Shares

The Consideration Shares will be issued pursuant to the General Mandate granted to the Directors at the AGM subject to the limit of up to 20% of the then issued share capital of the Company as at the date of the AGM.

Under the General Mandate, the Company is authorised to allot and issue up to 58,602,000 Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate. The allotment and issue of the Consideration Shares is not subject to the approval of the Shareholders.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the allotment and issue of the 16,500,000 Consideration Shares is set out below:

Shareholders	As at the date of this announcement		After allotment and issue of the Consideration Shares (Note 1)	
	Number of Shares	%	Number of Shares	%
Harmony Asia International Limited (Note 2)	61,779,000	21.08	61,779,000	19.96
Chen Mingxia	24,375,000	8.32	24,375,000	7.88
Public Shareholders				
The Vendor	–	–	16,500,000	5.33
Other public Shareholders	206,856,000	70.60	206,856,000	66.83
Total	293,010,000	100.00	319,510,000	100.00

Notes:

- On the assumption that there are no other changes in the issued share capital of the Company.
- 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. As such, Mr. Nam Ho Kwan is deemed, or taken to be interested in the 61,779,000 Shares held by Harmony Asia International Limited by virtue of the SFO.

INFORMATION OF THE TARGET COMPANY AND WING KEUNG CO.

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor. The Target Company is an investment holding company. Save for its 15% partnership interests in Wing Keung Co. upon completion of the Re-Organisation, the Target Company has not carried out any other business or investment activities since its incorporation.

Wing Keung Co.

As at the date of this announcement, Wing Keung Co. is a sole proprietorship established in Hong Kong by Mr. Ho Yiu Tim and it is principally engaged in the provision of engineering and construction services to various public organisations and private companies in Hong Kong since 1992. The engineering and construction services provided by the Wing Keung Co. includes site formation works, shallow and piling works, metal panel formworks, substructure and alteration works, maintenance works and electrical and mechanical works. Customers of Wing Keung Co. includes but not limited to the Hong Kong government, MTR Corporation Limited and various property management companies. As at the date of this announcement, Wing Keung Co. is undergoing construction works for 7 projects including residential projects, schools and public projects.

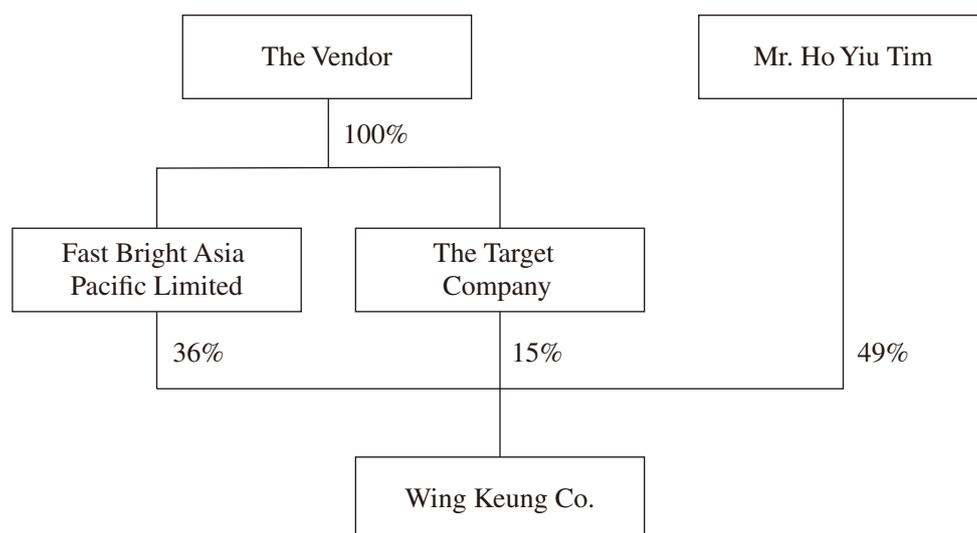
Wing Keung Co. is currently one of the approved contractors for public works in Hong Kong and is a registered Hong Kong government general building contractor.

The Re-Organisation

As at the date of this announcement, Wing Keung Co. is undergoing the Re-Organisation such that upon completion of the Re-Organisation, Wing Keung Co. will be transformed into a partnership established in Hong Kong.

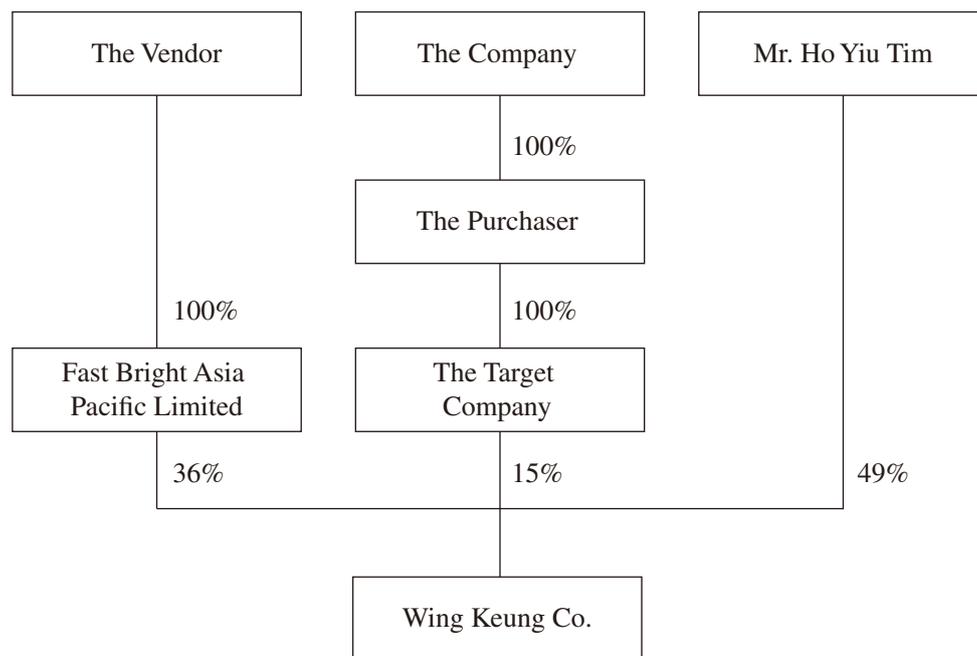
Set out below is the shareholding structure of Wing Keung Co. upon completion of the Re-Organisation and immediately upon Completion:

Shareholding structure upon completion of the Re-Organisation



Upon completion of the Re-Organisation, Mr. Ho Yiu Tim will become a 49% equity holder of Wing Keung Co. and the Vendor will be ultimately interested in 51% equity interest in Wing Keung Co. via his wholly-owned corporations as to (i) 36% by Fast Bright Asia Pacific Limited; and (ii) 15% by the Target Company.

Shareholding structure upon Completion



Mr. Ho Yiu Tim is a member of the Hong Kong Construction Association. Mr. Ho has almost 40 years of experiences in the engineering profession and the construction industry in Hong Kong.

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, each of the Vendor, Fast Bright Asia Pacific Limited and Mr. Ho Yiu Tim are Independent Third Parties and Mr. Ho Yiu Tim and the Vendor are close business acquaintance with each other for many years.

Set out below is a summary of the key financial information of Wing Keung Co. for each of the two years ended 31 March 2023 and for the eight months ended 30 November 2023, which has been prepared in accordance with the HK GAAP:

	For the year ended		For the
	31 March		eight months
	2022	2023	ended
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	30 November
	<i>(Audited)</i>	<i>(Audited)</i>	2023
			<i>Approx. HK\$'000</i>
			<i>(Unaudited)</i>
Profit/(loss) before taxation	(295)	1,986	2,881
Profit/(loss) after taxation	(295)	1,837	2,449

The unaudited total assets and net assets of Wing Keung Co. as at 30 November 2023 were approximately HK\$3,611,000 and HK\$1,795,000 respectively.

INFORMATION OF THE PURCHASER

The Purchaser is company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

Mr. Wong King Man has extensive experiences in real estate industry in Hong Kong. Mr. Wong holds a real estate agency license from the Hong Kong Estate Agents Authority and he is an executive Director of Master King Holding Limited, a company specialised in property agency services, property integration, mergers and acquisitions, re-development plans, property buying and selling, and property development. Master King Holding Limited has previously acquired several properties in the old district of Sham Shui Po for redevelopment. Master King Holding Limited are also committed to improving the environment of urban old districts. As such, Mr. Wong possesses ample resources in real estate and construction projects in the Hong Kong real estate industry.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group, a Hong Kong-based contractor, 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 interim report of the Company for the six months ended 30 September 2023, the Group will continue to face challenges such as high labour cost and shortage of experienced labour, while trying to win new projects at the same time, and therefore, the Company is committed to improve the business operations and financial position of the Group, while trying to identify potential business and investment opportunities.

The Acquisition represents a valuable opportunity to extend the business footprints into a broader range of sectors within the construction industry in Hong Kong, meanwhile, it allows the Company to bring on board an experienced business partner, which is expected to contribute to the Group's long-term growth and development in the construction industry in Hong Kong. Additionally, the Acquisition does not require any material cash outlay as the consideration for the Sale Share is to be satisfied by the allotment and issue of the Consideration Shares.

Based on the above, the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

As the Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	the proposed acquisition of the Sale Share by the Purchaser pursuant to the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company held on 29 September 2023
“associate(s)”	shall have the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than Saturday, Sunday and other general public holidays in Hong Kong and any day(s) 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 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) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Hao Bai International (Cayman) Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	the completion of the sale and purchase of the Sale Share in accordance with the Sale and Purchase Agreement
“connected person(s)”	shall have the meaning ascribed to it under the GEM Listing Rules

“Consideration”	the consideration payable for the Sale Share under the Sale and Purchase Agreement
“Consideration Share(s)”	16,500,000 new Shares to be issued by the Company, credited as fully paid, as full payment of the Consideration
“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting on 29 September 2023 to allot, issue and otherwise deal with up to 20% of the issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“HK GAAP”	Hong Kong Generally Accepted Accounting Principles
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“Issue Price”	approximately HK\$0.1636 per Consideration Share
“Last Trading Day”	25 January 2024, being the last trading day for the Shares prior to the issue of this announcement
“Purchaser”	Mega Charm International Holdings Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company

“Re-Organisation”	the transformation of Wing Keung Co. from a sole proprietorship established in Hong Kong by Mr. Ho Yiu Tim to a partnership established in Hong Kong which will be interested as to 51% by the Vendor via his wholly-owned corporations (36% by Fast Bright Asia Pacific Limited and 15% by the Target Company) and 49% by Mr. Ho Yiu Tim
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition dated 26 January 2024 entered into between the Purchaser and the Vendor
“Sale Share”	1 ordinary share of HK\$1.00 fully paid in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Rich Group Holding Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Mr. Wong King Man
“Wing Keung Co.”	Wing Keung Engineering Company
“%”	per cent

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

Hong Kong, 26 January 2024

As at the date of this announcement, the executive Directors are Mr. Shu Zhongwen, Ms. Wong Wing Hung, Mr. Ng Wan Lok and Mr. Wang Xinliang; 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 <http://www.irasia.com/listco/hk/haobai/>.