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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)

DISCLOSEABLE TRANSACTION — SALES AGENCY AND SUBSCRIPTION AGREEMENTS

THE SALES AGENCY AGREEMENT

On 24 January 2021, the Company entered into a Sales Agency Agreement with Pioneer Galaxy, a wholly-owned subsidiary of the Issuer, in relation to the appointment of Pioneer Galaxy as a non-exclusive agent of the Company regarding the sale of disposable hygiene products.

THE SUBSCRIPTION OF BONDS

On 24 January 2021, the Company and the Issuer entered into the Subscription Agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40,000,000, at the subscription price of HK\$40,000,000, to be settled by bank transfer or any other methods as agreed by both parties upon the Completion in full.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion is subject to fulfilment (or, as the case may be, waiver) of the conditions precedent under the Subscription Agreement. The Subscription may or may not proceed. Shareholder and potential investors of the Company are therefore urged to exercise caution when dealing in the shares and other securities of the Company.

THE SALES AGENCY AGREEMENT

On 24 January 2021, the Company entered into a Sales Agency Agreement with Pioneer Galaxy, a wholly-owned subsidiary of the Issuer, in relation to the appointment of Pioneer Galaxy as a non-exclusive agent of the Company regarding the sale of disposable hygiene products.

Pursuant to the Sales Agency Agreement, Pioneer Galaxy will act as an intermediary to identify and refer potential customers to the Company for purchase of our products and provide pre-sales services, such as arranging meetings and factory visits, etc.

Date

24 January 2021

Parties

1. The Company
2. Pioneer Galaxy, a wholly-owned subsidiary of the Issuer

Subject matter

Pioneer Galaxy shall be appointed as a non-exclusive agent of the Company regarding the sale of disposable hygiene products.

Period

The appointment shall be for a term commencing from the date of the Sales Agency Agreement and ending on the expiry of 12 months.

Other terms

The parties to the Sales Agency Agreement may, by mutual agreement in writing, agree to further cooperate after the expiry of the term of the agency appointment.

Consideration

An agency fee equivalent to 10% of the gross proceeds of sale of the disposable hygiene products in respect of which sale and purchase agreements have been entered into through the agency services performed by Pioneer Galaxy, is payable by the Company to Pioneer Galaxy. Such agency fee shall be calculated after the receipt by the Company of the entire purchase price in respect of each relevant unit.

The consideration was arrived at after arm's length negotiations between the Company and Pioneer Galaxy with reference to the prevailing market conditions and the estimated costs to be incurred by Pioneer Galaxy in providing its services to the Company under the Sales Agency Agreement.

THE SUBSCRIPTION OF THE BONDS

On 24 January 2021, the Company and the Issuer entered into the Subscription Agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40,000,000.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 24 January 2021

Parties

Issuer: Pipeline Engineering Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1865)

Subscriber: the Company

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

Subscription Price

The Company has conditionally agreed to subscribe for, the Bonds in the principal amount of HK\$40,000,000, at the subscription price of HK\$40,000,000, which is equal to the principal amount of the Bonds, to be settled by bank transfer or any other methods as agreed by both parties upon the Completion in full. The Company intends to fund the subscription price from its internal resources.

The Subscription price and the interest payable under the Bonds were determined after arm's length negotiations between the Company and the Issuer with reference to the prevailing market conditions and bonds issued by the listed companies on the main board of the Stock Exchange that are unsecured.

Conditions Precedent to the Subscription Agreement

The Completion of the Subscription is conditional upon fulfilment of the following conditions:

- (i) all necessary consents and approvals to be obtained on the part of the Issuer in respect of the issue of Bonds having been obtained, and relevant rules and regulations (including but not limited to the laws of Hong Kong and the Listing Rules) having been complied;
- (ii) all necessary consents and approvals to be obtained on the part of the Company in respect of the Subscription having been obtained, and relevant rules and regulations (including but not limited to the laws of Hong Kong and the Listing Rules) having been complied; and
- (iii) the warranties given by the Issuer remaining true and accurate in any material respects and not misleading in any material respect, and there has not been or may not be any event or condition that may result in the Issuer in breach of the warranties or any other terms of the Subscription Agreement in any material respect.

The Company may waive in writing the conditions precedent (iii) as set out above at its absolute discretion. The above conditions precedent (i) and (ii) shall not be waived. If any of the conditions precedent set out above is not fulfilled or waived on or before the Long Stop Date, the Subscription Agreement shall cease and determine, and no party shall have any claim against the other in respect of the Subscription Agreement or any events or matters contemplated therein, save for any antecedent breaches of the Subscription Agreement.

Completion

The Completion shall take place on the Completion Date, which shall take place on the third Business Day after the fulfilment or waiver (as the case may be) of all conditions under the Subscription Agreement (or such other date as may be agreed in writing between the parties) but in any event shall be no later than 14 Business Days after the date of the execution of the Subscription Agreement.

Principal Terms of the Bonds

Issuer	: Pipeline Engineering Holdings Limited
Principal amount	: HK\$40,000,000
Maturity Date	: The first anniversary of the issue date of the Bonds
Interest	: The Bonds will bear interest on the principal amount from and including the date of issue at the rate of 6% per annum accrued on a daily basis of a 365-day year and payable at the Maturity Date.

- Transferability : The Bonds are freely transferable, provided that no transfer of the Bonds to any connected person (as defined in the Listing Rules) of the Issuer shall be made without the prior written consent of the Issuer.
- Listing : No application will be made for the listing of the Bonds
- Status : The Bonds constitute a general and unsecured obligation to the Issuer, and rank *pari passu* with all existing and future unsecured and non-subordinated obligations to the Issuer in all aspects, except as otherwise required by related statutory provisions.
- Early redemption : Subject to the provisions of events of default as described below, the Bonds may not be redeemed by the Company before the Maturity Date.
- The Issuer is not allowed to redeem the Bonds at any time prior to the Maturity Date in whole or in part of the outstanding principal amount of the Bonds.
- Events of default : If, among others, any of the following events occurs, the Company may give notice to the Issuer that the Bonds are due and payable at its principal amount together with any accrued interest calculated up to and including the date of repayment:
- (i) the Issuer fails to pay the principal when due or the Issuer fails to pay interest on the Bonds when due unless non-payment of such interest is due solely to administrative or technical error and payment which is made within 14 Business Days of the due date thereof; or
 - (ii) the Issuer defaults in performance or compliance with, or breaches any obligations under the Bonds which will have a material adverse effect on the business, operation, assets or financial position of the group that the Issuer belongs to while the default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the Company remedied within 14 Business Days after notice of such default shall have been given to the Issuer by the Company; or
 - (iii) an encumbrancer takes possession or a receiver, administrator of bankruptcy or other similar officer is appointed on the whole or any substantial part of the undertaking, property, assets or revenues of the Issuer or its major subsidiaries, which will have a material adverse effect on the business, operation, assets or financial position of the group that the Issuer belongs to; or

- (iv) the Issuer or any of its major subsidiaries is unable to pay its debts as they mature or applies for consents to or suffers the appointment of any administrator, liquidator or receiver of the Issuer or its major subsidiaries on the whole or any part of the undertaking, property, assets or revenues of the Issuer or its major subsidiaries, or takes any proceeding under any law for readjustment or deferment of its obligations or any part of them, or makes or enters into a general assignment or compromise with or for the benefit of its creditors, which will have a material adverse effect on the business, operation, assets or financial position of the group that the Issuer belongs to; or
- (v) an effective resolution is passed or an order is made for winding-up of the Issuer or any of its major subsidiaries except in the case of winding-up for the purpose of the reorganisation of the group structure of the Issuer or any of its major subsidiaries; or
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Issuer or any of its major subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Issuer or any of its major subsidiaries, which will have a material adverse effect on the business, operation, assets or financial position of the group that the Issuer belongs to.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the design and production of automated machines for disposable hygiene products in the PRC.

INFORMATION OF THE ISSUER AND ITS SUBSIDIARIES

The Issuer is an investment holding company whose shares are listed on main board of the Stock Exchange (stock code: 1865). The Issuer and its subsidiaries are principally engaged in the provision of infrastructural pipeline construction and related engineering services mainly to private and public utilities companies in the gas, water, telecommunications and power industries in Singapore, including project works for (i) gas pipeline projects; (ii) water pipeline projects; and (iii) cable installation projects.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

The Board considers that the entering into of the Agreements will provide the parties with a commercial framework to facilitate future business growth and enable the parties to benefit from each other's capabilities and scale; and bring the following benefits:

- the Sales Agency Agreement will allow the Group to leverage the Issuer's overseas resources and expertise in Singapore, increase the Group's source of revenue as well as elevate the Company's market profile in overseas market; and
- the Bonds to be subscribed by the Company offer a better return on cash of the Group when compared to the fixed-term deposit interest rates offered by commercial banks in Hong Kong and the PRC.

The Board considers that the entering into of the Agreements is in line with the investment strategies of the Group. The Board is of the view that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreements”	collectively, the Subscription Agreement and the Sales Agency Agreement
“Board”	the board of Directors
“Bonds”	the bonds in the principal amount of HK\$40,000,000 with the interest rate of 6% per annum accrued on a daily basis of a 365-day year and payable at the Maturity Date

“Business Day(s)”	any day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which banks generally are open for business in Hong Kong during normal working hours
“Company”	Haina Intelligent Equipment International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the main board of the Stock Exchange (stock code: 1645)
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	the date falling the third Business Day after the fulfilment or waiver (as the case may be) of all conditions under the Subscription Agreement (or such other date as may be agreed in writing between the parties) but in any event shall be no later than 14 Business Days after the date of the execution of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons
“Issuer”	Pipeline Engineering Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1865)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	a date falling 14 th days from the date of the Subscription Agreement or such other late date as the Company and the Issuer may mutually agree in writing
“Maturity Date”	the date falling on the first (1st) anniversary of the issue date or if that is not a Business Day, the first Business Day thereafter

“Pioneer Galaxy”	Pioneer Galaxy Holdings Limited, a wholly-owned subsidiary of Pipeline Engineering Holdings Limited
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sales Agency Agreement”	the sales agency agreement entered into between the Company and Pioneer Galaxy on 24 January 2021
“Shareholder(s)”	holder(s) of the issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Bonds by the Company
“Subscription Agreement”	the subscription agreement dated 24 January 2021 entered into between the Issuer and the Company in relation to the Subscription
“%”	per cent

By order of the Board
Haina Intelligent Equipment International Holdings Limited
Hong Yiyuan
Chairman, executive Director and chief executive officer

Hong Kong, 25 January 2021

As at the date of this announcement, the Board comprises Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya and Mr. He Ziping as executive Directors, Mr. Chang Chi Hsung as non-executive Director, and Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung as independent non-executive Directors.