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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 ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that, on 22 March 2022 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the Sale Share at a consideration of HK\$9.0 million.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Acquisition calculated in accordance to the GEM Listing Rules exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but is exempt from the circular and the Shareholders' approval requirements under the GEM Listing Rules.

As the Completion is subject to the fulfilment or waiver 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

The principal terms of the Sale and Purchase Agreement are set out below:

Date

22 March 2022

Parties

- (1) the Company, as the purchaser; and
- (2) Mr. Song Chenglei, as the Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its associates are Independent Third Parties.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, save for the Acquisition and the transaction contemplated thereunder, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendor; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level of the Company.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Company agreed to purchase, and the Vendor agreed to sell the Sale Share in accordance to the terms and conditions of the Sale and Purchase Agreement.

Consideration

The consideration for the Acquisition shall be HK\$9.0 million, which was determined after arm's length negotiations between the Company and the Vendor having taken into account the following factors, among others, (i) the current business of Jiayou (Beijing) with details set out in the section headed "Reasons for and benefits of the Acquisition"; (ii) future prospects of the Target Group; and (iii) the profit guarantee of Jiayou (Beijing) as set out in the Sale and Purchase Agreement.

The Consideration shall be satisfied by the Company by (i) HK\$2.0 million in cash as deposit to the Vendor within 14 days upon signing of the Sale and Purchase Agreement; and (ii) HK\$7.0 million by way of issuing the Promissory Note by the Company to the Vendor or its nominee(s) within 21 days upon the Completion.

Profit guarantee by the Vendor

Pursuant to the Sale and Purchase Agreement, the Vendor irrevocably and unconditionally warrant and guarantee to the Company that, during the Guarantee Period, the aggregate audited net profit after tax of Jiayou (Beijing) will not be less than RMB27,000,000 (the “**Guaranteed Profit**”).

The Vendor agrees that the Company shall not need to pay to the Vendor where the Guarantee Profit is achieved during the Guarantee Period.

Where the Guaranteed Profit is not achieved during the Guarantee Period (i.e. the Guaranteed Profit is less than the actual profit of Jiayou (Beijing) for the three years ending 31 December 2024 (the “**Actual Profit**”), the compensation amount which shall be paid from the Vendor to the Company is calculated based on the below formula:

$$\text{Compensation} = (\text{Guaranteed Profit} - \text{Actual Profit}) \times 1.9$$

The Company and the Vendor agrees that the maximum amount of compensation shall not be more than the Consideration.

The Company shall not need to pay to the Vendor if the Actual Profit is higher than the Guaranteed Profit during the Guarantee Period.

The Promissory Note

The principal terms of the Promissory Note are set out as follows:

Issuer:	The Company
Principal amount:	HK\$7,000,000
Holder of the Promissory Note:	the Vendor or its nominee(s)
Maturity:	The 2nd anniversary date of the date of issue of the Promissory Note (the “ Maturity Date ”)
Interest:	13.5% per annum on the outstanding principal amount of the Promissory Note, payable semi-annually
Transferability:	The Promissory Note may, within five (5) Business Days prior notice in writing to the Company of the Vendor’s intention to transfer or assign the Promissory Note, be freely transferable or assign by the Vendor to any Independent Third Party.

Early redemption: The Company may by giving of not less than five (5) Business Days prior notice in writing to the holder of the Promissory Note to redeem the whole or any part of the Promissory Note and the accrued interests before the Maturity Date.

Status: The Promissory Note will constitute direct, unsubordinated and unsecured contractual obligations of the Company which will at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

Listing of the Promissory Note: No application will be made for the listing of the Promissory Note on the Stock Exchange.

Conditions Precedent

Completion shall be subject to the following conditions precedent having been fulfilled:

- (i) the Company being satisfied with the results of the due diligence review on the Target Group, including but not limited to assets, liabilities, operations and affairs of the Target Group;
- (ii) all the necessary approvals, consents and permits from the PRC government or other applicable authorities in respect of the Acquisition and transaction contemplated thereunder having been obtained and the necessary changes in the registration (including but not limited to the changes of director(s), legal representative(s), articles and association and relevant information) having been filed with the relevant authorities;
- (iii) the Warranties remaining true, accurate and not misleading in all respects at Completion and at all times between the date of Sale and Purchase Agreement and the Completion; and
- (iv) the Company being satisfied that, from the date of the Sale and Purchase Agreement to the Completion that there has not been any change which has a material and adverse effect on the business and financial position of the Target Group as a whole.

As at the date of this announcement, none of the conditions precedent set forth above has been fulfilled or waived.

Completion

Completion shall take place on the Completion Date when the conditions precedent above are fulfilled or waived.

Upon Completion, the Target Company will become an indirect subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE VENDOR

The Vendor, Mr. Song Chenglei, is an ordinarily resident in the PRC who has over 10 years of experiences in architectural design, procurement, construction, project management in construction industry in the PRC.

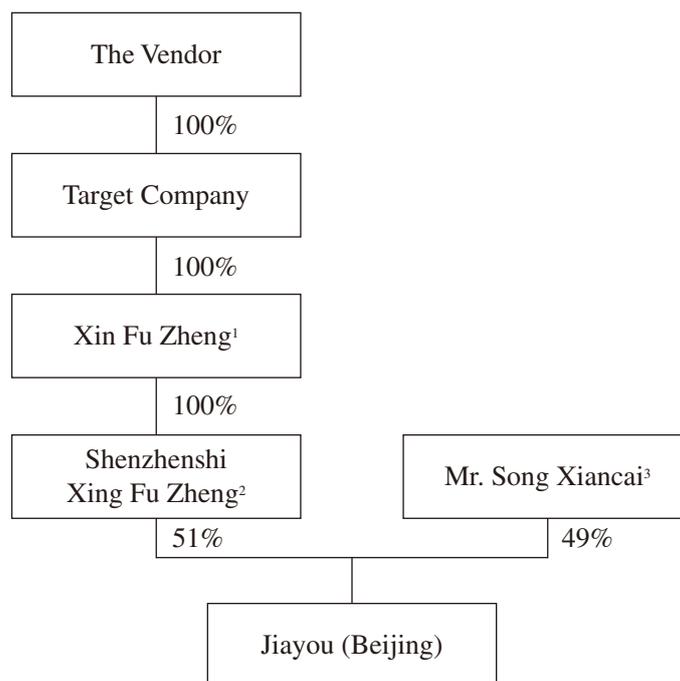
INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Target Company has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.0 each, of which 1 share has been issued and is fully paid up by the Vendor. As at the date of this announcement, the Target Company is wholly-owned by the Vendor and indirectly holds 51% equity interests in Jiayou (Beijing).

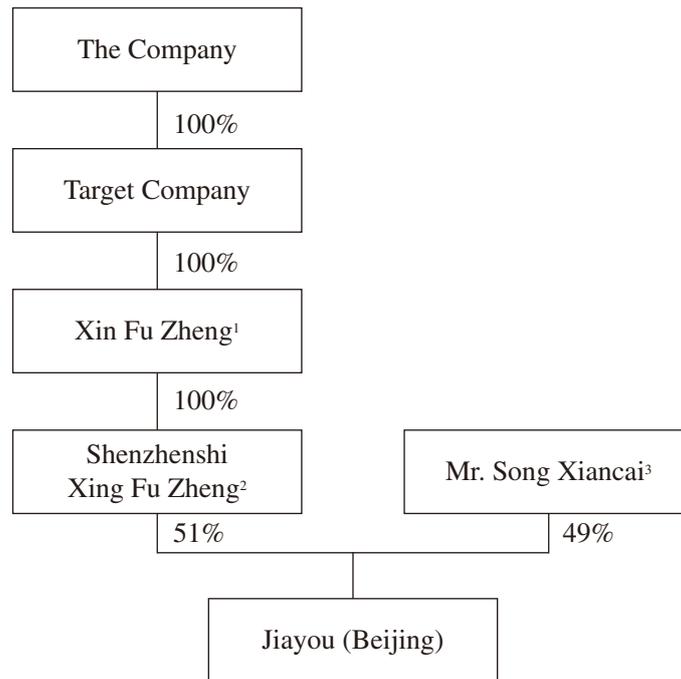
The Target Company, through its major operating subsidiary, Jiayou (Beijing), is principally engaged in provision of engineering, procurement and construction management (the “EPCM”) services of commercial and residential infrastructures in the PRC.

Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the date of this announcement:



Set out below is the shareholding structure of the Target Group following the Completion:



Notes:

1. Xin Fu Zheng is a company incorporated under the law of Hong Kong with limited liability and is principally engaged in investment holding.
2. Shenzhenshi Xing Fu Zheng is a company incorporated under the law of the PRC with limited liability and is principally in investment holding.
3. Mr. Song Xiancai is father of the Vendor.

Financial information of the Target Group

Each of the Target Company, Xin Fu Zheng and Shenzhenshi Xing Fu Zheng is an investment vehicle for Jiayou (Beijing) with minimal assets and liabilities and the major operating subsidiary of the Target Company is Jiayou (Beijing). Set out below is the unaudited financial information of Jiayou (Beijing) for the period from its incorporation on 31 July 2021 to 31 December 2021:

	For the period from its incorporation to 31 December 2021 RMB'000 (Unaudited)
Revenue	4,873.34
Net loss before taxation	64.52
Net loss after taxation	64.52

As at 31 December 2021, the unaudited net liabilities of Jiayou (Beijing) were RMB64,517.15.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group principally engages in provision of design, procurement and installation services of water circulation systems. The Group mainly provides services, which are categorised as (i) management contracting services – design, procurement and installation of water circulation systems, (ii) consultancy services – provision of consultancy services on water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems, to developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau.

EPCM, which refers to an overall comprehensive management of a construction project ranging from detailed design, selection of contractors, procurement of construction materials, cost and quality management and completion of erection, recently becomes a common practice in construction industry in the PRC. Since the Group has long been solely operating in Hong Kong and Macau where their markets are mature with limited scope of growth, and the PRC economy has been remarkably recovered in spite of impact of the COVID-19 pandemic in 2020, the Directors are of the view that the Acquisition provides an opportunity to the Group to step into other services areas of construction industry in the PRC. As at the date of this announcement, Jiayou (Beijing) has entered to EPCM services agreements with two independent property developers in the PRC, pursuant to which Jiayou (Beijing) is responsible for the supervision and management in respect of construction of (i) a phase one of a residential property project comprising of high-rise apartment buildings, townhouses

and houses in Gaobeidian County, Baoding City, Hebei Province of the PRC with gross floor area of approximately 28,000 sq.m.; and (ii) a trading center of agricultural by-products in Yibin City, Sichuan Province of the PRC with gross floor area of approximately 60,000 sq.m. (the “**Construction Projects**”). The total contract sums of the Construction Projects are approximately RMB69.36 million. As at the date of this announcement, the Construction Projects are under development. It is estimated that the Construction Projects will be completed tentatively by the year end of 2024. The Directors therefore consider that the Acquisition will diversify the Group’s existing operation geographically and hence broaden its source of income, and will enhance and create long-term benefit for the Group.

Based on the above, the Directors, having regard to the reasons and benefits referred to the above, believe that the terms of Sale and Purchase Agreement and the transaction contemplated thereunder are on normal commercial terms, and the Acquisition is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

“Acquisition”	the acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“associates”	has the meaning ascribed to it in 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
“BVI”	British Virgin Islands
“Company”	Hao Bai International (Cayman) Limited, a company incorporated in Cayman Islands with limited liability whose issued shares are listed on GEM of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Share in accordance with the Sale and Purchase Agreement
“Completion Date”	a date of falling within fourteen (14) Business Days after the fulfillment (or as appropriate, waiver) of the conditions set out in the Sale and Purchase Agreement
“Consideration”	the total consideration of the Acquisition, being HK\$9.0 million
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantee Period”	the period from 1 January 2022 to 31 December 2024
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

“Jiayou (Beijing)”	Jiayou (Beijing) Commercial and Trading Limited* (嘉油 (北京) 商貿有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Target Company
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Promissory Note”	the promissory note in the aggregate principal amount of HK\$7,000,000 to be issued by the Company to the Vendor or its nominee(s)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Share dated 22 March 2022 entered into between the Company and the Vendor and the Target Company
“Sale Share”	the entire issued share in the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Shenzhen Xing Fu Zheng”	Shenzhen Xing Fu Zheng Information Consulting Co., Ltd.* (深圳市興富正信息諮詢有限公司), a company incorporated in the PRC with limited liability
“sq.m.”	square meter(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	City Key Group Limited, a company incorporated under the laws of the BVI with limited liability
“Target Group”	the group of companies comprising the Target Company and its subsidiaries
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendor”	Mr. Song Chenglei
“Warranties”	the representations, warranties, indemnities and undertakings of the Vendor as set out in the Sale and Purchase Agreement

“Xin Fu Zheng” Xin Fu Zheng Rading Limited, a company incorporated under the laws of Hong Kong with limited liability

“%” per cent.

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

Hong Kong, 22 March 2022

As at the date of this announcement, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok, Ms. Wong Wing Hung, Ms. Wang Rui, Mr. Wang Xinliang and Mr. Wong Terence Kwong Lung; and the independent non-executive Directors are Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 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.

* For identification purposes only