

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)

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022 AND DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

DELAY IN PUBLICATION OF AUDITED CONSOLIDATED ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the announcements of Hao Bai International (Cayman) Limited dated 20 June 2022, 23 June 2022 and 29 June 2022 in relation to the Delay in Publication of Audited Consolidated Annual Results Announcement and the Annual Report for the year ended 31 March 2022 (the “**Announcements**”). Unless otherwise specified, capitalised terms used in this announcement have the same meanings as those defined in the Announcement.

UNAUDITED ANNUAL RESULTS

As explained in the Announcements, the audit procedures for the 2021/22 Audited Annual Results are adversely affected and unable to be completed on or before the date of Board meeting originally scheduled on 30 June 2022. In order to minimise disruptions to the trading of the Company’s shares while ensuring that the Shareholders and the public are informed of the Group’s business operation and financial position, the Board has decided to publish the unaudited annual results of the Group for the year ended 31 March 2022, which have not yet been agreed with the auditor of the Company. Such unaudited annual results have been reviewed and agreed by the audit committee (the “**Audit Committee**”) of the Company.

The Board of the Company would like to announce the unaudited annual results of the Group for the year ended 31 March 2022 together with the audited comparative figures for the previous year, as set out below:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	<i>Notes</i>	2022 HK\$’000 (Unaudited)	2021 HK\$’000 (Audited)
Revenue	5	6,463	26,594
Cost of services		(4,075)	(24,235)
Gross profit		2,388	2,359
Other income	6	121	1,516
Administrative expenses		(8,928)	(30,182)
Finance costs	7	(544)	(2,628)
Loss before income tax	8	(6,963)	(28,935)
Income tax expenses		–	–
Loss for the year		(6,963)	(28,935)
Other comprehensive income		–	–
Total comprehensive expenses for the year		(6,963)	(28,935)
Loss per share, basic and diluted (HK cents)	9	(0.53)	(2.23)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	144	271
Right-of-use assets		322	131
Payment for a life insurance policy		2,640	2,640
		3,106	3,042
Current assets			
Contract assets		83,554	85,354
Trade and other debtors, deposits and prepayments		12,642	11,103
Pledged and restricted bank deposits		335	17,665
Bank balances and cash		107	438
		96,638	114,560
Current liabilities			
Contract liabilities		3,138	3,138
Trade and other creditors and accrued expenses		43,439	30,193
Bank borrowings – due within one year		9,247	26,267
Lease liabilities		293	133
Income tax payable		–	–
Bank overdrafts – secured		1,099	8,380
		57,216	68,111
Net current assets		39,422	46,449
Total assets less current liabilities		42,528	49,491

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current liability			
Bank borrowings – due over one year		<u>1,993</u>	<u>1,993</u>
NET ASSETS		<u>40,535</u>	<u>47,498</u>
Capital and reserves			
Share capital		13,000	13,000
Reserves		<u>27,535</u>	<u>34,498</u>
TOTAL EQUITY		<u>40,535</u>	<u>47,498</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Reserves				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated profits (losses) HK\$'000	
At 1 April 2020 (Audited)	13,000	81,096	(16,790)	(873)	76,433
Loss for the year and total comprehensive expenses for the year	–	–	–	(28,935)	(28,935)
At 31 March 2021 (Audited)	13,000	81,096	(16,790)	(29,808)	47,498
At 1 April 2021	13,000	81,096	(16,790)	(29,808)	47,498
Loss for the year and total comprehensive expenses for the year	–	–	–	(6,963)	(6,963)
At 31 March 2022	13,000	81,096	(16,790)	(36,771)	40,535

Note: Other reserve of the Group represents the aggregate amount of the issued share capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any) in relation to the reorganisation carried out in preparation for the initial listing of the Company's shares.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2022

1. CORPORATE INFORMATION

Hao Bai International (Cayman) Limited (the “**Company**”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The directors of the Company consider the Company’s immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was located at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and the Company together with its subsidiaries (the “**Group**”) are principally engaged in provision of design, procurement and installation services of water circulation systems.

2. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”), which is also the functional currency of the Company and all amounts have been rounded to the nearest thousand (HK\$’000), unless otherwise indicated.

The unaudited consolidated financial statements for the year ended 31 March 2022 comprise the company and its subsidiaries (together referred to as the “**Group**”). The measurement basis used in the preparation of the unaudited consolidated financial statements is the historical cost basis, except for the payment for a life insurance policy which is measured at fair value.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the current year, the Group has adopted for the first time the following amendments to HKFRSs issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
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The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 8	Definition of Accounting Estimate ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION

The executive directors of the Company, who have been identified as the chief operating decision makers review the Group's internal reports in order to assess performance and allocate resources.

Based on the products and services offered by the Group to the customers, the executive directors of the Company have determined that the Group has only one operating and reportable segment throughout the year, as the Group manages its business as a whole which is the management contracting services with regards to provision of design, procurement and installation services of the water circulation systems in Hong Kong and Macau. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

The following table provides an analysis of the Group's revenue based on geographical location where installation works or other services are provided:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Hong Kong	6,230	19,318
Macau	233	7,276
	<u>6,463</u>	<u>26,594</u>

The following is an analysis of the carrying amounts of non-current assets, excluding payment for a life insurance policy, analysed by the geographical area in which the assets are located:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Hong Kong	466	402
Macau	—	—
	<u>466</u>	<u>402</u>

5. REVENUE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Revenue from management contracting services	<u>6,463</u>	<u>26,594</u>

All revenue generated by the Group during the years ended 31 March 2022 and 2021 was from contracts with customers within HKFRS15, recognised over time and with fixed type of transaction price.

6. OTHER INCOME

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Bank interest income	9	192
Government subsidies	—	1,291
Interest income arising from a life insurance policy	—	7
Sundry income	112	26
	<u>121</u>	<u>1,516</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Interest on bank borrowings	539	2,030
Interest on bank overdrafts	5	577
Interest on lease liabilities	—	21
	<u>544</u>	<u>2,628</u>

8. LOSS BEFORE INCOME TAX

This is stated after charging:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Staff costs and related expenses (including directors' remuneration):		
Directors' emolument	3,532	3,279
Salaries, allowances and other benefits	3,064	6,731
Contributions to defined contribution plans	40	372
	<u>6,636</u>	<u>10,382</u>
Less: Amount included in cost of services	(898)	(4,003)
	<u>5,738</u>	<u>6,379</u>
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Other items		
Auditors' remuneration	360	500
Amortisation of payment for a life insurance policy	–	11
Contract costs relating to management contracting services recognised as expenses	4,075	24,235
Depreciation of property, plant and equipment	127	181
Depreciation of right-of-use asset	324	1,099
Lease payment recognised under short-term lease	–	857
Written-off of trade debtors	–	5
Written-off of contract assets	–	6,619
Loss allowance of trade debtors	–	526
Loss allowance of contract assets	–	5,447
	<u>–</u>	<u>–</u>

9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following information:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(6,963)</u>	<u>(28,935)</u>
	Number of shares	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>1,300,000,000</u>	<u>1,300,000,000</u>

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2022 and 2021.

10. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2022 (2021: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount –					
Year ended 31 March 2021					
At 1 April 2020	154	127	164	7	452
Depreciation	<u>(47)</u>	<u>(39)</u>	<u>(88)</u>	<u>(7)</u>	<u>(181)</u>
At 31 March 2021 (Audited)	<u><u>107</u></u>	<u><u>88</u></u>	<u><u>76</u></u>	<u><u>–</u></u>	<u><u>271</u></u>
Reconciliation of carrying amount –					
Year ended 31 March 2022					
At 1 April 2021	107	88	76	–	271
Depreciation	<u>(47)</u>	<u>(39)</u>	<u>(41)</u>	<u>–</u>	<u>(127)</u>
At 31 March 2022 (Unaudited)	<u><u>60</u></u>	<u><u>49</u></u>	<u><u>35</u></u>	<u><u>–</u></u>	<u><u>144</u></u>
At 31 March 2021					
Cost	242	195	860	2,749	4,046
Accumulated depreciation	<u>(135)</u>	<u>(107)</u>	<u>(784)</u>	<u>(2,749)</u>	<u>(3,775)</u>
Net book value	<u><u>107</u></u>	<u><u>88</u></u>	<u><u>76</u></u>	<u><u>–</u></u>	<u><u>271</u></u>
At 31 March 2022 (Unaudited)					
Cost	237	195	843	728	2,003
Accumulated depreciation	<u>(177)</u>	<u>(146)</u>	<u>(808)</u>	<u>(728)</u>	<u>(1,859)</u>
Net book value	<u><u>60</u></u>	<u><u>49</u></u>	<u><u>35</u></u>	<u><u>–</u></u>	<u><u>144</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains, water curtains and etc. We provide services mainly to developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our services are mainly 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. For the year ended 31 March 2022, the Group had 7 management contracting projects (2021: 20 management contracting projects) with revenue contribution.

The COVID-19 outbreak has a material impact on the Group's operations and financial position for the year ended 31 March 2022. The social distancing restrictions and requirement have been and continued to be modified by the government from time to time as COVID-19 developments unfold. The disruption from the COVID-19 outbreak is expected to persist in the near future and recovery from such disruption is expected to be slow. The Group has shifted its strategy and operations to ensure effective business continuity and evolution in this new rhythm of business.

During the Reporting Period, the Group's net loss decreased from approximately HK\$28.9 million for the year ended 31 March 2021 to approximately HK\$6.96 million for the year ended 31 March 2022. The Group's net loss was mainly attributable to substantial drop of revenue recorded by the Group in respect of the Reporting Period during which Hong Kong continued to undergo a historic economic downturn due to COVID-19.

Looking forward, given the uncertainty of the duration of COVID-19, it is expected that the pandemic will continue to affect the business environment in Hong Kong and Macau in the near future. The high labour cost and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions due to COVID-19 between Hong Kong, Macau and the Mainland China are amongst the challenges which industry peers have faced. It is expected that the Group will face such intense competition to secure projects while we will closely monitor the progress and costs of the projects in order to enhance our competitiveness.

We have also taken measures in protecting the health of our staff. To position us in the best of financial and operational health to counter the challenges posed by COVID-19, we have streamlined to improve the existing operations. In addition, we have held cost reduction programs to minimize cashflows, remuneration and general expenses while taking considerable efforts to control capital expenditures.

Although the Directors remain confident in the long term business outlook of Hong Kong and Macau and also the performance of the Group, the financial results of the Group in the near future may potentially be affected as a result of the adversities.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connections with various main contractors and property developers in the industry, the Group will continue to explore opportunities in order to diversify or expand our businesses in Hong Kong, Macau and Mainland China respectively. The Directors will also evaluate its business strategies on a regular basis while any potential business opportunities will be discussed and reviewed internally. Business decisions are made in the view of improving the Group's long term potential growth while we will continue to leverage our network to enhance our financial positions for our shareholders and stakeholders.

FUTURE PROSPECTS

The Company aims to expand its business operations into the Greater Bay Area (GBA) while continuing to participate in the tendering process with various construction or property development companies in Hong Kong. The Company's management team will spend more time in the GBA to proactively target certain companies for joint venture or investment opportunities.

The Group expects to have approximately over HK\$30 million of revenue recognised within the next 18 to 24 months based on the 4 current management contracting projects.

Overall, the Board considered that the Company has a viable and sustainable business with a sufficient level of operations and assets to support its operations to meet requirement of the GEM Listing Rules.

FINANCIAL REVIEW

Revenue

Our total revenue decreased by approximately HK\$20.1 million or 75.7% from approximately HK\$26.6 million for the year ended 31 March 2021 to approximately HK\$6.5 million for the year ended 31 March 2022.

The significant reduction in our revenue was recorded by the Group in respect of the Reporting Period during which Hong Kong continued to undergo an unprecedented economic downturn affected by the outbreak of coronavirus pandemic. Due to the weak business environment, the Group has continued to face its most challenging time in winning new construction and property development projects for water circulation systems.

In addition, the decrease in revenue was also due to the reduction in number of projects for the year ended 31 March 2022.

Cost of services

The Group's cost of services mainly consists of (i) consumables; (ii) sub-contracting fees; (iii) staff costs; (iv) consulting fees; (v) labour cost; and (vi) other expenses.

Our cost of services decreased by approximately HK\$20.2 million or 83.2% from approximately HK\$24.2 million for the year ended 31 March 2021 to approximately HK\$4.1 million for the year ended 31 March 2022. Such reduction was primarily due to decrease in cost of consumables, sub-contracting fees, project costs and labour expenses.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$0.03 million or 1.2% from approximately HK\$2.36 million for the year ended 31 March 2021 to approximately HK\$2.39 million for the year ended 31 March 2022. Such increase was mainly due to reduction of consumables and staff costs for the management contracting services projects.

Our gross profit margin increased from approximately 8.9% for the year ended 31 March 2021 to approximately 36.9% for the year ended 31 March 2022. The increase was mainly due to the reduction in expenses such as salary, material and subcontract costs.

Other income

Our other income decreased from approximately HK\$1.5 million for the year ended 31 March 2021 to approximately HK\$0.12 million for the year ended 31 March 2022, as the Group no longer received any subsidies from the HKSAR Government under the Employment Support Scheme for the year ended 31 December 2021.

Administrative expenses

Our administrative expenses decreased by approximately HK\$21.3 million or 70.4% from approximately HK\$30.2 million for the year ended 31 March 2021 to approximately HK\$8.9 million for the year ended 31 March 2022 due to reduction in impairment loss of contract assets of several projects, legal and other professional fees.

Finance costs

Our finance costs decreased by approximately HK\$2.1 million or 79.3% from approximately HK\$2.7 million for the year ended 31 March 2021 to approximately HK\$0.5 million for the year ended 31 March 2022, primarily due to the decrease in the average level of bank borrowings during the Reporting Year.

Income tax expenses

For the year ended 31 March 2022 and 2021, there were no assessable profits in Hong Kong and Macau and as a result, no income tax expenses were provided for.

Net loss

The Company recorded a net loss of approximately HK\$6.96 million for the year ended 31 March 2022 as compared to a net loss of approximately HK\$28.94 million for the year ended 31 March 2021.

Written-off and loss allowance on contracts assets and trade debtors

The Group assessed impairment loss on contract assets and trade debtors by simplified approach in calculating expected credit loss (“ECL”) for the contract assets and trade debtors and recognises a loss allowance based on lifetime ECL at each reporting date and specifically estimated the ECL for each debtor by reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets, trade debtors and their potential write-off/loss allowance amounts will be finalised once the Auditor has completed its audit work on these balances and respective trade debtors and accounts receivable confirmations are received by the Auditor.

DIVIDENDS

No dividend was declared or proposed by the Board for both years ended 31 March 2022 and 2021.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2022, the Group had total assets of approximately HK\$99.7 million (2021: approximately HK\$117.6 million), which is financed by total liabilities and shareholders’ equity (comprising share capital and reserves) of approximately HK\$59.2 million (2021: approximately HK\$70.1 million) and approximately HK\$40.5 million (2021: approximately HK\$47.5 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2022 were approximately HK\$12.3 million (2021: approximately HK\$36.6 million), and current ratio as at 31 March 2022 was approximately 1.69 times (2021: approximately 1.68 times).

The Group’s borrowings and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the year.

The Group's gearing ratio, which is calculated by total borrowings and bank overdrafts divided by total equity, reduced from approximately 77.1% as at 31 March 2021 to approximately 30.4% as at 31 March 2022, primarily due to the decrease in the level of bank borrowings and the decrease in the total equity. The decrease in the level of bank borrowings was primarily due to repayment in bank loan during the Reporting Period. Reduction in the total equity was due to the net loss during the Reporting Period.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange on 26 May 2017 (the "Listing"). Immediately upon the Listing, the total issued share capital of the Company was HK\$13,000,000 divided into 1,300,000,000 Shares of par value of HK\$0.01 each. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2022 and 2021, the Company's issued share capital was HK\$13,000,000 divided into 1,300,000,000 ordinary Shares of par value of HK\$0.01 each.

CAPITAL COMMITMENTS

As at 31 March 2022 and 2021, the Group did not have any capital commitments contracted but not provided for.

SEGMENTAL INFORMATION

Segmental information for the Group is disclosed in Note 4 of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

FOREIGN CURRENCY EXPOSURE

Since the Company's business activities are mainly operated in Hong Kong and Macau, and the relevant transactions are denominated in Hong Kong dollars, the Directors consider that the Company's risk in foreign exchange is insignificant.

SUBSEQUENT EVENTS

The Company completed two discloseable transactions in April 2022. For details, please refer to the announcements dated 11 April 2022 and 29 April 2022 respectively. On 27 April 2022, a total of 130,000,000 share options were granted to executive Directors, certain employees and external business consultants of the Group at an exercise price of HK\$0.0342 per Share. For details, please refer to the announcement dated 27 April 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 7 employees (2021: 29 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$6.6 million for the year ended 31 March 2022 (2021: approximately HK\$10.4 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The directors of the Company (the "**Directors**") and the management of the Company and its subsidiaries (the "**Group**") recognise the importance of sound corporate governance to the long-term success and development of the Group. Therefore, the Board is committed to uphold good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, and protect the interests and create values for shareholders of the Company (the "**Shareholders**").

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM on The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). Throughout the year ended 31 March 2022 (the "**Reporting Period**"), the Company has adopted and complied with, where applicable, the CG Code set out in Appendix 15 of the GEM Listing Rules to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner, except for the code provisions mentioned below.

Code A.2.1

Pursuant the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Nam Ho Kwan is currently the Chairman of the Board and the Chief Executive Officer, responsible for formulating the overall business development strategy and planning of the Group. In view of that, Mr. Nam has been responsible for the overall management of the Group since its inception, the Board believes that it is in the best interest of the Group to have Mr. Nam taking up both roles for effective management and business development.

Code C.1.2

Under code provision C.1.2 of the CG Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the Listing Rules. Between 16 April 2021 and 14 July 2021, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2 of the CG Code, due to the resignation of Mr. Chong Ching Hoi as chief financial officer while Mr. Lee Kun Yin was only appointed as the Chief Financial Officer and Company Secretary of the Company on 15 July 2021. All the executive Directors were involved in the daily operations of the Group and were fully aware of the performance, position and prospects of the Company, and the management of the Company had provided to all Directors quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details prior to the regular board meetings. In addition, the management of the Company had provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Group and sufficient background or explanatory information for matters brought before the Board.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the year ended 31 March 2022 was the Company or any of its associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

USE OF PROCEEDS FROM LISTING

The Shares were listed on GEM on 26 May 2017 pursuant to the initial public offering of the Company. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK\$38.0 million would be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. To cope with the increasingly challenging external business environment, the Board resolved to change and re-allocate the uses of the unutilised net proceeds. For more details including the reasons and benefits for the said change, please refer to the announcement of the Company dated 18 September 2020 (the “**Announcement**”). As at 31 March 2022, the Group had fully utilised the net proceeds from the Listing.

	Actual net proceeds	Amount utilised up to 18 September 2020	Unutilised net proceeds as at 18 September 2020	Revised allocation of net proceeds as at 18 September 2020	Amount utilised from 19 September 2020 to 31 December 2020	Unutilised net proceeds as at 31 March 2022
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening of the Group’s industry position and expansion of business	19.4	0.8	18.6	–	–	–
Repayment of bank loans	7.6	7.6	–	20.0	20.0	–
Strengthening of the Group’s technical and project management capabilities	3.6	3.6	–	–	–	–
Establishment 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	2.5	–
	<u>38.0</u>	<u>15.5</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>	<u>–</u>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 March 2022.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2022.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Harmony Asia International and Mr. Nam Ho Kwan, details of which were set out in the Prospectus has been fully complied and enforced for the year ended 31 March 2022. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders of the Company and the potential investors.

AUDIT COMMITTEE

The Group has established an Audit Committee pursuant to a resolution of the Board passed on 19 January 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or re-appointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of the Group.

The Audit Committee consists of three independent non-executive Directors being Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi. Mr. Ng Kam Tsun serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited annual results of the Group for the year ended 31 March 2022 and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters. The Audit Committee is of the opinion that the unaudited annual results contained herein have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Other members of the Board who are not in the Audit Committee have also reviewed the unaudited annual results of the Group for the year ended 31 March 2022 and are satisfied with the contents thereof.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit procedures for the 2021/22 Audited Annual Results have not been completed mainly due to the COVID-19 pandemic in Hong Kong. The unaudited annual results contained herein have not been agreed with the Group's auditors as required under Rule 18.49 of the GEM Listing Rules. An announcement relating to the audited results will be made when the audit procedures has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed and approved by the Audit Committee.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS AND FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 March 2022 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting of the Company (the "AGM") will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain Shareholders' eligibility to attend and vote at the AGM. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the audit procedures. The Company expects the audit procedures will be completed on or before 29 July 2022 while the Company expects to publish the 2022 Audited Annual Results on 29 July 2022 and despatch the 2022 Annual Report to the Shareholders on 15 August 2022.

PUBLICATION OF ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website. The 2021/22 Annual Report will be despatched to the Shareholders of the Company after the completion of the audit procedures and will be available on the website of the Stock Exchange and the Company in due course.

APPRECIATION

I, on behalf of the Board, would like to take this opportunity to thank all our Shareholders, business partners, bankers and customers for their continuing support to the Group. I would also like to thank my fellow Directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 June 2022

As at the date of this announcement, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok, Ms. Wong Wing Hung, 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 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 www.harmonyasia.com.