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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Hao Bai International (Cayman) Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “**Group**”). 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.*

QUARTERLY FINANCIAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three-month and nine-month periods ended 31 December 2022, together with the unaudited comparative figures for the respective corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2022

	NOTES	Three months ended		Nine months ended	
		31 December		31 December	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	6,671	285	20,928	5,681
Cost of services		(3,801)	(269)	(10,191)	(2,852)
Gross profit		2,870	16	10,737	2,829
Other income		345	–	345	76
Administrative expenses		(8,487)	(3,313)	(16,293)	(9,297)
Finance costs		(58)	(73)	(227)	(406)
Loss before income tax	4	(5,330)	(3,370)	(5,438)	(6,798)
Income tax expense	5	–	–	–	–
Loss and total comprehensive expenses for the period		<u>(5,330)</u>	<u>(3,370)</u>	<u>(5,438)</u>	<u>(6,798)</u>
Loss per share, basic and diluted (HK cents)	7	<u>(0.33)</u>	<u>(0.26)</u>	<u>(0.33)</u>	<u>(0.52)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2022

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the nine months ended					
31 December 2022					
As at 1 April 2022 (Audited)	13,000	81,096	(16,790)	(60,238)	17,068
Ordinary shares issued	2,600	–	–	–	2,600
Exercise of share options	700	–	–	–	700
Profit and total comprehensive expenses for the period	–	–	–	(5,438)	(5,438)
Share-based payments	–	–	1,080	–	1,080
	<u>16,300</u>	<u>81,096</u>	<u>(15,710)</u>	<u>(65,676)</u>	<u>16,010</u>
As at 31 December 2022 (Unaudited)	<u>16,300</u>	<u>81,096</u>	<u>(15,710)</u>	<u>(65,676)</u>	<u>16,010</u>
For the nine months ended					
31 December 2021					
As at 1 April 2021 (Audited)	13,000	81,096	(16,790)	(29,808)	47,498
Loss and total comprehensive expenses for the period	–	–	–	(6,798)	(6,798)
	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>(36,606)</u>	<u>40,700</u>
As at 31 December 2021 (Unaudited)	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>(36,606)</u>	<u>40,700</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2022

1. GENERAL

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 in Hong Kong is 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 design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The unaudited condensed consolidated financial information is 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 condensed consolidated financial information has been prepared on a basis consistent with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2022. The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the unaudited condensed consolidated financial information.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The unaudited condensed financial information has not been audited by the Company’s external auditor, but has been reviewed by the Audit Committee of the Company.

3. REVENUE AND 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 consider that the operating segments are as follows:

- Management contracting services – provision of design, procurement and installation services of the water circulation systems
- Consultancy services – provision of consultancy services on water circulation systems
- Maintenance services – provision of maintenance and repair services for water circulation systems and replacement of parts

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from management contracting services	6,671	285	20,928	5,681

All revenue generated by the Group during the Reporting Period was from contracts with customers within HKFRS 15, recognised over time and with fixed type of transaction price.

4. LOSS BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
This is stated after charging:				
Staff costs and related expenses (including directors' remuneration)				
Directors' emoluments	669	641	2,101	2,132
Salaries, allowances and other benefits	3,574	271	4,751	2,816
Discretionary bonus	–	–	–	11
Retirement benefit scheme contributions	29	46	80	86
Total staff costs	4,272	958	6,932	5,045
Less: Amount included in cost of services	(3,574)	(126)	(4,751)	(875)
	698	832	2,181	4,170
Other items				
Auditor's remuneration	–	–	190	120
Contract costs recognised as expenses (Note (a))	5,372	219	6,559	2,802
Depreciation of				
– Property, plant and equipment	30	32	90	100
– Lease assets	64	64	193	256

Note:

- (a) Contract costs included approximately HK\$4,608,258 (for the nine months ended 31 December 2021: approximately HK\$804,387) and approximately HK\$3,627,801 (for the nine months ended 31 December 2021: approximately HK\$874,702) relating to the consumables and staff cost respectively for the nine months ended 31 December 2022 which are also included in the amounts disclosed separately above.

5. INCOME TAX EXPENSE

The group entities established in the Cayman Islands, Samoa and the BVI are exempted from income tax.

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during the nine months ended 31 December 2022 while Mainland China corporate tax will be assessed at year-end.

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the nine months ended 31 December 2021: 12%) on the taxable income above Macau Pataca (“MOP”) 600,000.

6. DIVIDEND

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

7. LOSS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(5,330)</u>	<u>(3,370)</u>	<u>(5,438)</u>	<u>(6,798)</u>
	Number of shares		Number of shares	
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>1,630,000</u>	<u>1,300,000</u>	<u>1,630,000</u>	<u>1,300,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a Hong Kong-based contractor. 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, Mainland China 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.

The outlook for the Group is going to be challenging but promising since the Group has started to engage in more projects from Mainland China, while the pandemic situation and business environment in Hong Kong are expected to improve in the near future. The Board believes that the existing policies adopted by the HKSAR government is more than equipped to deal with any future and potential outbreaks of the virus within the community and is optimistic for the future of the industry and for Hong Kong.

The Group has continued to see positive results of doing business in Mainland China and it intends 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. Our management team will spend more time in the GBA to proactively target certain companies for joint venture, business collaboration and investment opportunities.

The Group forecasts to have approximately HK\$20 million of revenue recognised within the next 18 months based on the 4 current management contracting projects in Hong Kong while regular revenue will continue to be generated from our projects in Mainland China.

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.

In addition, we will continue to review our existing business on a regular basis and are committed to improve the business operations and financial position of the Group, while trying to identify potential business and investment opportunities to expand our source of income.

Overall, the Board considers 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 increased by approximately HK\$15.2 million or 368.4% from approximately HK\$5.7 million for the nine months ended 31 December 2021 to approximately HK\$20.9 million for the nine months ended 31 December 2022.

While the Group's business in Hong Kong has remained stable, substantial increase in our revenue was mainly due to our investments and businesses in Mainland China for the nine months ended 31 December 2022. The Group expects its revenue generated from Mainland China will continue to flourish.

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 increased by approximately HK\$7.3 million or 357.3% from approximately HK\$2.85 million for the nine months ended 31 December 2021 to approximately HK\$10.2 million for the nine months ended 31 December 2022. Such increase was due to our new business involvement in Mainland China for the past nine months.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$7.9 million or 379.5% from approximately HK\$2.8 million for the nine months ended 31 December 2021 to approximately HK\$10.7 million for the nine months ended 31 December 2022. Such increase is in line with our increase in both revenue and cost of services for the past nine months.

Our gross profit margin increased from approximately 49.8% for the nine months ended 31 December 2021 to approximately 51.3% for the nine months ended 31 December 2022. The increase was mainly due to senior management's continued focus on cost savings for the nine months ended 31 December 2022.

Other income

Our other income increased from approximately HK\$0.1 million for the nine months ended 31 December 2021 to approximately HK\$0.35 million for the nine months ended 31 December 2022.

Administrative expenses

Our administrative expenses increased by approximately HK\$7.0 million or 175.3% from approximately HK\$9.3 million for the nine months ended 31 December 2021 to approximately HK\$16.3 million for the nine months ended 31 December 2022, mainly due to increase in professional services fees, salaries and other operational expenses.

Finance costs

Our finance costs decreased by approximately HK\$0.18 million or 55.9% from approximately HK\$0.4 million for the nine months ended 31 December 2021 to approximately HK\$0.22 million for the nine months ended 31 December 2022, primarily due to the decrease in the average level of bank borrowings during the Reporting Period.

Income tax expense

For the nine months ended 31 December 2022 and 2021, there were no assessable profits in Hong Kong and Macau and as a result, no income tax expense was provided for while Mainland China corporate income tax will be assessed at year-end.

Net loss

The Company recorded a net loss of approximately HK\$5.4 million for the nine months ended 31 December 2022 as compared to a net loss of approximately HK\$6.8 million for the nine months ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

DIVIDEND

No dividend was declared or proposed by the Board for the nine months ended 31 December 2022 and 2021.

FOREIGN CURRENCY EXPOSURE

The Group's revenue generating operations are mainly transacted in HKD and RMB. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events subsequent to 31 December 2022 which would materially affect the Group's operating and financial performance, except for (a) Completion of placing 323,400,000 new shares under general mandate (please refer to announcement dated 12 January 2023 for further details); (b) Proposed to implement Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.10 each and increase in authorised share capital of the Company (please refer to the announcements dated 5 January 2023, 30 January 2023 and 1 February 2023 respectively for further details); and (c) Proposed issue of bonds (please refer to announcement dated 20 January 2023 for further details).

DISCLOSURE OF INTERESTS

(I) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

So far as the Directors are aware, as at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interests	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Ms. Wong Wing Hung	Interest in controlled corporation	6,500,000	Long position	0.40%
Mr. Ng Wan Lok	Interest in controlled corporation	6,500,000	Long position	0.40%

Save as disclosed above, as at 31 December 2022, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(II) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2022, the following persons/entities had or deemed to taken to have an interest or short position in the Shares, underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/ Nature of interests	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Harmony Asia International	Beneficial owner (Note)	632,390,000	Long position	38.80%
Mr. Nam Ho Kwan	Interest in controlled corporation (Note)	632,390,000	Long position	38.80%
Prudential Brokerage Limited	Person having security interest in shares (Note)	632,390,000	Long position	38.80%
Mr. Sung Chenglei	Beneficial owner	260,000,000	Long position	15.95%
Ms. Chen Mingxia	Beneficial owner	243,750,000	Long position	14.95%

Note: Harmony Asia International 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. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International Limited by virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). These Shares were pledged to Prudential Brokerage Limited on 14 September 2020.

Save as disclosed above, as at 31 December 2022, no person/entities had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

During the Reporting Period, 13,000,000 of share options were exercised on 18 November 2022 with an exercise price of HK\$0.0342 by Ms. Wong Wing Hung and Mr. Ng Wan Lok, executive Directors of the Company under the share option scheme adopted by the Company on 12 May 2017 (the “**Share Option Scheme**”).

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the nine months ended 31 December 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 December 2022, the Group had fully utilised the net proceeds from the Listing.

PURCHASE, SALES 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 nine months ended 31 December 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.

CHANGES IN DIRECTORS' INFORMATION

During the Reporting Period, changes in directors' information are set out below:

Mr. Nam Ho Kwan resigned as an executive director and chief executive officer of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 5 October 2022.

Ms. Wong Wing Hung was appointed to fill the casual vacancy as a result of the resignation of Mr. Nam Ho Kwan as the chief executive officer of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 5 October 2022.

Mr. Wang Lun was appointed as an executive Director of the Company with effect from 14 October 2022.

Ms. Chen Xiaodan was appointed as a non-executive Director of the Company with effect from 14 October 2022.

Ms. Wong Wing Hung resigned as the chief executive officer of the Company but remained as an executive director of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 1 December 2022.

Mr. Shu Zhongwen was appointed as the chief executive officer and an executive director of the Company with effect from 1 December 2022.

Mr. Lin Hann Ruey was appointed as an executive director of the Company with effect from 13 December 2022.

Ms. Yuen Wai Man was appointed as an independent non-executive Director and a member of Nomination Committee of the Company with effect from 13 December 2022.

Ms. Wong Wing Hung resigned as the chairman of the Board, chairman of the Nomination Committee of the Company and the Exchange authorised representative, but remained as an executive director of the Company and the agent for service of process in Hong Kong with effect from 23 December 2022.

Mr. Wang Lun was appointed as the chairman of the Board, chairman of the Nomination Committee of the Company and the Exchange authorised representative with effect from 23 December 2022.

Mr. Cheung Hiu Fung was appointed as an independent non-executive Director and member of the Audit Committee of the Company with effect from 23 December 2022.

Mr. Ng Kam Tsun resigned as an independent non-executive Director, chairman of the Audit Committee, chairman of the Remuneration Committee and member of the Nomination Committee of the Company with effect from 23 December 2022.

Ms. Yuen Wai Man was appointed as the chairman of the Audit Committee and chairman of the Remuneration Committee of the Company with effect from 23 December 2022.

CORPORATE GOVERNANCE PRACTICE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

During the Reporting Period, the Company has adopted and complied with, where applicable, the Corporate Governance Code (“**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.

Pursuant paragraph C.2.1 of the CG Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the roles of the chairman and chief executive officer were both performed by Ms. Wong Wing Hung (“**Ms. Wong**”) between 5 October 2022 and 1 December 2022, after 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.

With effect from 1 December 2022, Ms. Wong resigned as the chief executive officer of the Company but remained as an executive director and chairman of the Board of the Company. Mr. Shu Zhongwen was appointed as the chief executive officer and an executive director of the Company with effect from 1 December 2022.

With effect from 23 December 2022, Ms. Wong resigned as the chairman of the Board of the Company, but remained as an executive director of the Company. Mr. Wang Lun, an executive director and general manager of the Company, was appointed as the chairman of the Board with effect from 23 December 2022.

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

COMPETING INTERESTS

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

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. Ng**”), Mr. Ma Meng and Mr. Li Ruyi between 7 January 2022 and 23 December 2023 where Mr. Ng served as the chairman of the Audit Committee.

Mr. Ng resigned as an independent non-executive Director and chairman of the Audit Committee of the Company on 23 December 2022 while Ms. Yuen Wai Man, an independent non-executive Director, replaced Mr. Ng as chairman of the Audit Committee with effect from 23 December 2022.

Mr. Cheung Hiu Fung was appointed as an independent non-executive Director and member of the Audit Committee of the Company with effect from 23 December 2022.

The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the unaudited condensed consolidated results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, subcontractors, business partners and shareholders for their continued support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

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

Hong Kong, 14 February 2023

As at the date of this announcement, the executive Directors are Mr. Wang Lun, Mr. Shu Zhongwen, Ms. Wong Wing Hung, Mr. Ng Wan Lok, Mr. Wang Xinliang and Mr. Lin Hann Ruey; the non-executive Director is Ms. Chen Xiaodan; and the independent non-executive Directors are Mr. Ma Meng, Mr. Li Ruyi, Ms. Yuen Wai Man and Mr. Cheung Hiu Fung.

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