



INTERIM
REPORT
2023

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)

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.

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This report, 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 report 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 report misleading.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company are pleased to announce the unaudited condensed consolidated results of the Group for the three-month and six-month periods ended 30 September 2023 (the “Reporting Period”) as follow. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2023 have been reviewed by the Audit Committee of the Company (the “Audit Committee”).

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

For the three months and six months ended 30 September 2023

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	6,066	6,640	13,019	14,257
Cost of services		(5,845)	(2,099)	(11,379)	(6,390)
Gross Profit		221	4,541	1,640	7,867
Other income		–	–	1,859	–
Administrative expenses		(12,170)	(3,778)	(13,857)	(7,806)
Finance costs		(75)	(83)	(126)	(169)
Profit/(loss) before income tax	4	(12,024)	680	(10,484)	(108)
Income tax expense	5	–	–	–	–
Profit/(loss) for the period		(12,024)	680	(10,484)	(108)
Other comprehensive income		–	–	–	–
Total comprehensive income/(loss) for the period		(12,024)	680	(10,484)	(108)

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	NOTES	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income/(loss) for the period attributable to:				
– Owners of the Company	(12,221)	680	(10,755)	(108)
– Non-controlling interests	197	–	271	–
	<u>(12,024)</u>	<u>680</u>	<u>(10,484)</u>	<u>(108)</u>
Total comprehensive income/(loss) for the period attributable to:				
– Owners of the Company	(12,221)	680	(10,755)	(108)
– Non-controlling interests	197	–	271	–
	<u>(12,024)</u>	<u>680</u>	<u>(10,484)</u>	<u>(108)</u>
Profit/(loss) per share				
Basic (HK cents)	7	(0.41)	0.04	(0.36)
Diluted (HK cents)	7	–	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3	28
Right-of-use assets		1,023	64
Goodwill		3,870	3,870
Contingent consideration receivable	8	4,138	4,138
		<u>9,034</u>	<u>8,100</u>
CURRENT ASSETS			
Contract assets	9	67,460	59,928
Trade and other debtors, deposits and prepayments	10	13,152	15,634
Pledged and restricted bank deposits		228	228
Bank balances and cash		16,996	248
		<u>97,836</u>	<u>76,038</u>
CURRENT LIABILITIES			
Contract liabilities	9	20,615	20,615
Trade and other creditors and accrued expenses	11	59,175	55,001
Bank borrowings – due within one year	12	784	6,662
Lease liabilities		970	42
Bank overdrafts – secured		106	932
		<u>81,650</u>	<u>83,252</u>

		As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
	<i>NOTES</i>		
NET CURRENT ASSETS/(LIABILITIES)		16,186	(7,214)
TOTAL ASSETS LESS CURRENT LIABILITIES		25,220	886
NON-CURRENT LIABILITIES			
Bank borrowings – due over one year	12	5,119	–
NET ASSETS		20,101	886
CAPITAL AND RESERVES			
Share capital	13	29,301	19,534
Reserves		(9,415)	(18,746)
Equity attributable to owners of the Company		19,886	788
Non-controlling interests		215	98
TOTAL EQUITY		20,101	886

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Reserves							Total
	Share Capital	Share Premium	Share option Reserve	Other Reserve	Accumulated (losses)/ profit	Subtotal	Non-Controlling Interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2023								
As at 1 April 2023 (audited)	19,534	89,473	2,016	(16,790)	(93,445)	788	98	886
Issue of new shares by way of rights issue, net of expenses (Note 12)	9,767	-	-	-	-	9,767	-	9,767
Non-controlling interests	-	-	-	-	-	-	(154)	(154)
Profit/(loss) and total comprehensive expenses for the period	-	-	-	20,086	(10,755)	9,331	271	9,602
As at 30 September 2023 (unaudited)	29,301	89,473	2,016	3,296	(104,200)	19,886	215	20,101
For the six months ended 30 September 2022								
As at 1 April 2022 (audited)	13,000	81,096	-	(16,790)	(60,238)	17,068	-	17,068
Ordinary shares issued	2,600	-	-	-	-	2,600	-	2,600
Exercise of share options	570	-	-	-	-	570	-	570
Profit/(loss) and total comprehensive expenses for the period	-	-	-	-	(108)	(108)	-	(108)
Share-based payments	-	-	-	1,080	-	1,080	-	1,080
As at 30 September 2022 (unaudited)	16,170	81,096	-	(15,710)	(60,346)	21,210	-	21,210

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	(12,139)	1,692
Net cash used in investing activities	–	(2,600)
Net cash generated from financing activities	29,713	534
Net increase/(decrease) in cash and cash equivalents	17,574	(374)
Cash and cash equivalents at the beginning of the period	(684)	(1,046)
Cash and cash equivalents at the end of the period	16,890	(1,420)
Represented by:		
Bank balances and cash	16,996	233
Bank overdraft	(106)	(1,653)
	16,890	(1,420)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 Suite 801, 8th Floor, Chinachem Century Tower, 178 Gloucester Road, 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 2023. 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 and engineering, procurement and construction management ("EPCM") services of commercial and residential buildings and infrastructures in China |

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from management contracting services	2,990	6,640	7,425	14,257
Revenue from consulting services	3,076	–	5,594	–
	6,066	6,640	13,019	14,257

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.

3. Revenue and Segment Information (Continued)

The segment information for the reportable and operating segments for the six months ended 30 September 2023 and 2022 is as follows:

For the six months ended 30 September 2023

	Management contracting services HK\$'000 (Unaudited)	Consultancy services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers and segment revenue	7,425	5,594	13,019
Segment profit	459	1,181	1,640
Other income			1,859
Administrative expenses			(13,857)
Finance costs			(126)
Loss before income tax			(10,484)

For the six months ended 30 September 2022

	Management contracting services HK\$'000 (Unaudited)	Consultancy services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers and segment revenue	14,257	–	14,257
Segment profit	7,867	–	7,867
Other income			–
Administrative expenses			(7,806)
Finance costs			(169)
Loss before income tax			(108)

3. Revenue and Segment Information (Continued)

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

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	2,990	2,354	7,425	7,542
Mainland China	3,076	4,286	5,594	6,715
	6,066	6,640	13,019	14,257

Information about major customers

Revenue from customers of the corresponding period in respect of construction contracts from management contracting services segment individually contributed 10% or more of total revenue of the Group are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	3,076	2,430	5,594	6,715
Customer B	604	14	3,437	132
Customer C	1,083	486	2,354	681
Customer D	960	229	1,051	229
Customer E	361	3,217	365	5,919

4. Loss before Income Tax

This is stated after charging:

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Staff costs and related expenses (including directors' remuneration)				
Directors' emoluments	624	791	1,280	1,432
Other staff's salaries, allowances and other benefits	108	914	216	1,178
Contributions to defined contribution plans	18	31	36	50
	<u>750</u>	<u>1,736</u>	<u>1,532</u>	<u>2,660</u>
Total staff costs	750	1,736	1,532	2,660
Less: Amount included in cost of services	–	–	–	(108)
	<u>750</u>	<u>1,736</u>	<u>1,532</u>	<u>2,552</u>
Other items				
Auditor's remuneration	400	–	400	360
Contract costs relating to management contracting services recognised as expenses (Note (a))	871	987	6,617	1,590
Depreciation of				
– Property, plant and equipment	1	30	25	60
– Right-of-use asset	161	64	333	129
Operating lease payments for premises	137	–	388	–
	<u>137</u>	<u>–</u>	<u>388</u>	<u>–</u>

Note:

- (a) Current period's contract costs include HK\$6,617,366 (for the six months ended 30 September 2022: HK\$1,590,000) for consumables and Nil (for the six months ended 30 September 2022: HK\$108,000) for staff cost which are also included in the amounts disclosed separately above.

5. Income Tax Expense

	Three months ended 30 September		Six months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	-	-	-	-
PRC enterprise income tax	-	-	-	-

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 six months ended 30 September 2023 and 2022.

Taxation of PRC subsidiaries is calculated using the applicable income tax rate of 25% (30 September 2022: 25%). The Group will assess the PRC enterprise income tax at year end.

6. Dividends

The directors of the Company did not declare or propose any dividend for the six months ended 30 September 2023 (for the six months ended 30 September 2022: Nil).

7. Profit/(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 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Company, used in basic and diluted profit/(loss) per share calculation	(12,024)	680	(10,484)	(108)
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share calculation	293,010	1,617,000	293,010	1,617,000

Diluted profit/loss per share is the same as the basic profit/loss per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 September 2023 and 2022.

8. Contingent Consideration Receivable

The fair value of the contingent consideration receivable represented the profit guarantee in relation to the adjustments to the consideration from the acquisition of City Key Group Limited and its subsidiary ("City Key Group") from acquisition date (i.e. 8 April 2022). Contingent consideration receivable is measured at fair value at the end of each financial year.

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
At fair value	4,138	–
Arising from acquisition of a subsidiary	–	4,080
Change in fair value	–	58
At the end of the period	4,138	4,138

The Group will consider whether further adjustment on fair value is required at year end.

9. Contract Assets/Contract Liabilities

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Contract assets and contract liabilities arising from management contracting services as follows:		
Contract assets (including retention receivables) gross amount	67,460	78,308
Less: Written-off of contract assets (<i>Note (i)</i>)	–	(14,905)
Loss allowance of contract assets (<i>Note (ii)</i>)	–	(3,475)
	67,460	59,928
Contract liabilities	(20,615)	(20,615)

Notes:

- (i) Written-off of contract assets relates to contract assets (including retention receivables) on certain projects that the Group has completed the work under the construction contracts for at least four years in which it has no reasonable expectation of recovering the contractual cash flows and no realistic prospect of recovery.

As at 30 September 2023, the Group did not make any adjustment on written-off of contract assets (31 March 2023: HK\$14,905,000). The Group will consider whether further adjustment on written-off of contract assets is required at year end.

- (ii) Loss allowance of contract assets relates to the assessment of individual balances based on the Group's historical default experiences and the individual characteristics of each customer including but not limited to the aging profile and financial position together with other forward looking factors.

As at 30 September 2023, the Group did not make any adjustment on loss allowance of contract assets (31 March 2023: HK\$3,475,000). The Group will consider whether further adjustment on loss allowance of contract assets is required at year end.

9. Contract Assets/Contract Liabilities (Continued)

The movements of contract assets and liabilities (excluding those arising from increases and decreases both occurred within the same year) from contracts with customers within HKFRS 15 during the year are as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Contract assets		
At beginning of the year	59,928	66,654
Transferred to trade debtors	–	(14,020)
Recognition of revenue	7,532	25,674
Written-off	–	(14,905)
Loss allowance	–	(3,475)
	<hr/>	<hr/>
At the end of the period	67,460	59,928
	<hr/>	<hr/>
	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Contract liabilities		
At beginning of the year	(20,615)	(1,288)
Receipt of advances or recognition of receivables	–	(20,027)
Recognition of revenue	–	700
	<hr/>	<hr/>
At the end of the period	(20,615)	(20,615)
	<hr/>	<hr/>

As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.

9. Contract Assets/Contract Liabilities (Continued)

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects. The retention receivables (net of written-off and loss allowance) to be settled, based on the expiry of the defect liability period, at the end of the reporting period are:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
On demand or within one year	2	60
After one year	10,439	9,709
	10,441	9,769

10. Trade and Other Debtors, Deposits and Prepayments

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade debtors (<i>Note a</i>)	11,369	25,102
Less: Loss allowance	–	(10,695)
	11,369	14,407
Pledged deposits to an insurance company (<i>Note b</i>)	158	158
Other debtors, deposits and prepayments	1,625	1,069
	13,152	15,634

10. Trade and Other Debtors, Deposits and Prepayments (Continued)

Notes:

- a. Trade debtors mainly arise from management contracting business and consultancy services. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 30 to 60 days. The ageing analysis of trade debtors, net of loss allowance, based on invoice date at the end of the Reporting Period is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within 30 days	160	140
31 to 60 days	4,680	5,253
Over 60 days	6,529	9,014
	11,369	14,407

The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

- b. Pledged deposits of HK\$158,000 (31 March 2023: HK\$158,000) to an insurance company is the security for issuance of performance bonds in respect of construction contracts with prevailing market rates at 0.2% (31 March 2023: 0.2%) per annum.

11. Trade and Other Creditors and Accrued Expenses

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade creditors (<i>Note a</i>)	16,496	16,018
Salary payables	7,073	5,821
Other creditors and accrued expenses	13,944	12,000
Amount due to a former director (<i>Note b</i>)	21,662	21,162
	59,175	55,001

Notes:

- a. The credit period on trade creditors is 30–90 days. The ageing analysis of trade creditors presented based on the invoice date at the end of the Reporting Period is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within 365 days	4,520	1,968
Over 365 days	11,976	14,050
	16,496	16,018

- b. The amount due is unsecured, interest-free and repayable on demand.

12. Bank Borrowings

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Secured	1,136	1,474
Unsecured	4,767	5,188
	5,903	6,662

12. Bank Borrowings (Continued)

The bank borrowings are repayable as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
On demand or within one year	784	6,662
More than one year	<u>5,119</u>	<u>–</u>
	5,903	6,662
Less: Amount due within one year shown under current liabilities	<u>(784)</u>	<u>(6,662)</u>
Amount due after one year shown under non-current liabilities	<u>5,119</u>	<u>–</u>

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Within one year	784	1,553
Within a period of more than one year but not exceeding two years	1,613	1,613
Within a period of more than two years but not exceeding five years	3,182	2,230
Over five years	<u>324</u>	<u>1,266</u>
	<u>5,903</u>	<u>6,662</u>

13. Share Capital

The share capital of the Group as at 30 September 2023 and 31 March 2023 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 September 2023		As at 31 March 2023	
	Number of shares (Unaudited)	Nominal Value HK\$'000 (Unaudited)	Number of shares (Audited)	Nominal Value HK\$'000 (Audited)
Authorised				
Ordinary shares of HK\$0.1 each As at 1 April	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
As at 1 April	195,340,000	19,534	195,340,000	19,534
Allotment and issue of rights shares (Note 1)	97,670,000	9,767	–	–
	293,010,000	29,301	195,340,000	19,534

Note:

- Allotment and issue of rights shares on 8 September 2023 pursuant to the Rights Issue as disclosed in the prospectus of the Company dated 28 July 2023 and the allotment results announcement of the Company dated 8 September 2023.

14. Performance Bonds

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	226	226

14. Performance Bonds (Continued)

Certain customers require the Group to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit to such bank or insurance company. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. The Group will then become liable to compensate the bank or insurance company accordingly. During the six months ended 30 September 2023 and 2022, no customers have called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

15. Pledge of Assets

The following assets were pledged to secure certain banking facilities and performance bonds issued by an insurance company granted to the Group at the end of the Reporting Period:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Pledged and restricted bank deposits	228	228

16. Related Parties Transactions

In addition to the transactions/information disclosed elsewhere in the unaudited condensed consolidated financial information, the Group had the following transactions with related parties:

Key management personnel remuneration

	Three months ended 30 September		Six months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	112	700	462	1,341
Contributions to defined contribution plans	18	14	37	27
	130	714	499	1,368

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group, a Hong Kong-based contractor, is principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. We provide services mainly to property developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and China. 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 engineering, procurement and construction management (“EPCM”) services of commercial and residential buildings and infrastructures in China; and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the six months ended 30 September 2023, the Group had 4 management contracting projects in Hong Kong with revenue contribution, while the Group will continue to expand our businesses into China and the Greater Bay Area (GBA).

It is expected that the Group will continue to face challenges such as high labour cost and shortage of experienced labour, while trying to win new projects at the same time. Although the Directors remain confident in the long term business outlook of Hong Kong, Mainland China and Macau and also the performance of the Group, the financial results of the Group in the next six months may potentially be affected as a result of the adversities.

The Company will continue to review its existing business on a regular basis and is committed to improve the business operations and financial position of the Group, while trying to identify potential business and investment opportunities to expand its source of income.

Looking ahead, we believe economic recovery to the pre-pandemic level will be a prolonged process, due to global economy downturns, rising inflation expectations in the United States, uncertainty in PRC economy resumption and property market crisis, trading tension between PRC and the US and global political events, which will likely have a negative impact on the financial markets. Therefore, we will continue to implement cost reduction programs to minimize cash outflows, staff costs and general expenses while taking considerable efforts to control capital expenditures.

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 reduced by approximately HK\$1.2 million or 8.7% from approximately HK\$14.2 million for the six months ended 30 September 2022 to approximately HK\$13.0 million for the six months ended 30 September 2023.

Slight reduction in revenue for both Hong Kong and Mainland China markets is due to the challenging business environments in the past 6 months, but the Group expects its revenue to improve in the near future.

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\$5.0 million or 78.1% from approximately HK\$6.4 million for the six months ended 30 September 2022 to approximately HK\$11.4 million for the six months ended 30 September 2023. Such increase was due to new project equipments being purchased in the past 6 months.

Gross profit and gross profit margin

Our gross profit reduced by approximately HK\$6.2 million or 79.2% from approximately HK\$7.9 million for the six months ended 30 September 2022 to approximately HK\$1.6 million for the six months ended 30 September 2023. Such decrease is due to extra costs being incurred for both Hong Kong and Mainland China projects in the past 6 months.

Our gross profit margin decreased from approximately 55.2% for the six months ended 30 September 2022 to approximately 12.6% for the six months ended 30 September 2023. The reduction was aligned with additional costs being incurred in the past 6 months while senior management will continue to focus on cost savings in the future.

Other income

Our other income increased from nil for the six months ended 30 September 2022 to HK\$1.9 million for the six months ended 30 September 2023.

Administrative expenses

Our administrative expenses increased by approximately HK\$6.1 million or 77.5% from approximately HK\$7.8 million for the six months ended 30 September 2022 to approximately HK\$13.9 million for the six months ended 30 September 2023.

Finance costs

Our finance costs decreased by approximately HK\$0.04 million or 25.4% from approximately HK\$0.17 million for the six months ended 30 September 2022 to approximately HK\$0.13 million for the six months ended 30 September 2023, primarily due to reduction in the average level of bank borrowings during the Reporting Period.

Income tax expense

For the six months ended 30 September 2023 and 2022, there were no assessable profits in Hong Kong and Macau, as a result, no income tax expenses were provided for, while income tax expense (if any) subject to PRC enterprise income tax will be assessed at year end.

Net loss

Our net loss increased from approximately HK\$0.1 million for the six months ended 30 September 2022 to approximately HK\$10.5 million for the six months ended 30 September 2023.

Dividends

No dividend was declared or proposed by the Board for the six months ended 30 September 2023 and 2022.

Events after the Reporting Period

The Board is not aware of any significant events subsequent to 30 September 2023 which would materially affect the Group's operating and financial performance.

Liquidity, Financial Resources and Funding

As at 30 September 2023, the Group had total assets of approximately HK\$106.9 million (31 March 2023: approximately HK\$84.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$86.8 million (31 March 2023: approximately HK\$83.3 million) and approximately HK\$20.1 million (31 March 2023: approximately HK\$0.9 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2023 were approximately HK\$6.0 million (31 March 2023: approximately HK\$7.6 million), and current ratio as at 30 September 2023 was approximately 1.20 times (31 March 2023: approximately 0.91 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 Reporting Period.

The Group's gearing ratio, which is calculated by total borrowings and bank overdrafts divided by total equity, reduced from approximately 857.1% as at 31 March 2023 to approximately 29.9% as at 30 September 2023, primarily due to the increase in total equity while bank borrowings have reduced during the Reporting Period.

Capital Structure

The shares of the Company (the "Shares") were successfully listed on 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. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2023, the Company's issued share capital was HK\$29,301,000 (31 March 2023: HK\$19,534,000) divided into 293,010,000 ordinary Shares of par value of HK\$0.1 each (31 March 2023: 195,340,000 of HK\$0.1 each).

Capital Commitments

As at 30 September 2023 and 31 March 2023, the Group did not have any capital commitments contracted but not provided for.

Segmental Information

Segmental information is presented for the Group as disclosed on note 3 of the notes to the unaudited condensed consolidated financial information.

Future Plans for Material Investments and Capital Assets

As at 30 September 2023, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save for those disclosed in this interim report, there were no other significant investments held by the Group as at 30 September 2023, nor were there other material acquisitions of subsidiaries and affiliated companies by the Group during the period.

Contingent Liabilities

Save as disclosed in note 14 of the notes to the unaudited condensed consolidated financial information, as at 30 September 2023 and 31 March 2023, the Group did not have other material contingent liabilities.

Foreign Currency Exposure

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

Pledge of Assets

Save as disclosed in note 15 of notes to the unaudited condensed consolidated financial information, as at 30 September 2023 and 31 March 2023, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 September 2023, the Group employed a total of 11 employees (31 March 2023: 11 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$1.5 million for the six months ended 30 September 2023 (for the six months ended 30 September 2022: approximately HK\$2.7 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.

DISCLOSURE OF INTERESTS

(i) Directors' and Chief Executives' Interest and Short Position in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporation

As at 30 September 2023, none of the Directors nor chief executive of the Company has any 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 or Debentures of the Company

So far as the Directors are aware, as at 30 September 2023, the following persons/entities had or deemed to taken to have an interest or short position in the Shares, underlying Shares or debentures 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 Limited	Beneficial owner (Note 1)	61,779,000	Long position	21.08%
Mr. Nam Ho Kwan	Interest in controlled corporation (Note 1)	61,779,000	Long position	21.08%
Prudential Brokerage Limited	Person having security interest in shares (Note 1)	61,779,000	Long position	21.08%
Ms. Chen Mingxia	Beneficial owner	24,375,000	Long position	8.32%
Zhui Law and Business International Holding Group Limited	Beneficial owner (Note 2)	15,600,000	Long position	5.32%
Ms. Li Dongyan	Interest in controlled corporation (Note 2)	15,600,000	Long position	5.32%

Notes:

As at 30 September 2023:

1. Harmony Asia International Limited is a company incorporated in Samoa which is wholly owned by Mr. Nam Ho Kwan, a former executive Director, the chairman of the Board, and chief executive officer of the Company who resigned from such positions with effect from 5 October 2022. 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).
2. Zhui Law and Business International Holding Group Limited ("Zhui Law") is wholly owned by Ms. Li Dongyan. By virtue of the SFO, Ms. Li Dongyan is deemed to be interested in 5.32% of the issued share capital of the Company held by Zhui Law.

Save as disclosed above, as at 30 September 2023, 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

The Share Option Scheme became effective on the date of the Company's listing (i.e. 26 May 2017) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On 27 April 2022, a total of 130,000,000 share options were granted to the Directors, employees and consultants under the Share Option Scheme. Please refer to the Company's announcement dated 27 April 2022 for further details.

The total number of the Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on the date of Listing unless the Company obtains the approval of the shareholders for refreshing such 10% limit, in which case the total number of the Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10% of the total number of the Shares in issue as at the date of the approval of the Company's shareholders on the refreshment of the limit. The number of the Shares in respect of which options may be granted to any individual in any 12-months period is not permitted to exceed 1% of the Shares in issue. Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in excess of 0.1% of the Shares in issue and a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

An option may be accepted by a participant within 21 days from the date of grant with a nominal consideration of HK\$1 on each grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price is determined by the Directors and will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

SHARE OPTIONS

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Pursuant to Rule 23.07 of the GEM Listing Rules, details of share options held by the eligible participants and movements of shares options under the Share Option Scheme during the six-month period ended 30 September 2023 are set out as follow:

Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price per Share	Number of share options					Outstanding as at 30 September 2023
				Outstanding as at 1 April 2023	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the period (Note 2)	
(1) Employees - In aggregate									
Employees	27 April 2022	Note 1	HK\$0.0342	1,500,000	-	-	-	28,846	1,528,846
Sub-total				1,500,000	-	-	-	28,846	1,528,846
(2) Consultants									
HO Kai Cheung Derek	27 April 2022	Note 1	HK\$0.0342	2,700,000	-	-	-	51,923	2,751,923
LEE Thomson	27 April 2022	Note 1	HK\$0.0342	1,300,000	-	-	-	25,000	1,325,000
LEE Kun Yin	27 April 2022	Note 1	HK\$0.0342	500,000	-	-	-	9,615	509,615
Sub-total				4,500,000	-	-	-	86,538	4,586,538
Total				6,000,000	-	-	-	115,384	6,115,384

Notes:

- Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 27 April 2022 to 26 April 2032.
- The options granted under the Share Option Scheme could be exercised at the exercise price of HK\$0.0342 at the date of grant, which represents the highest of (a) HK\$0.034 being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) HK\$0.0342, being the average of the closing prices of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK\$0.01, being the nominal value of the Share. The exercise price of the share option was adjusted to HK\$0.342 following share consolidation on 1 February 2023. Upon the rights issues being allotted and issued on 8 September 2023, the exercise price of the share option was further adjusted to HK\$0.336 and please refer to the Company's announcement dated 8 September 2023 for further details. The exercise period should commence on the date of grant (i.e. 27 April 2022) and end on 26 April 2032.

Save as disclosed above, the maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 6,115,384 shares (after rights issue effective on 8 September 2023), representing 2.09% of the shares of the Company in issue as at the date of this interim report.

The total number of shares that may be issued in respect of options granted under all schemes of the Company during the six months ended 30 September 2023 divided by the weighted average number of shares of the relevant class in issue for the period was 2.98%.

CHANGE IN USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 12 January 2023, 323,400,000 Shares were allotted and issued by the Group, at the price of HK\$0.024 per share. The Company's net proceeds from the allotment and issuance of additional Shares (after deducting the placing commission, professional fees and all related expenses from the Placing) amounted to approximately HK\$7.39 million, which were originally intended (i) to repay approximately HK\$1.40 million of bank loan; (ii) to repay approximately HK\$5.59 million of overdue trade payables; while (iii) the remaining net proceeds from the Placing of approximately HK\$0.40 million were used to support the Group's business operations as working capital. Please refer to the announcements of the Company dated 29 December 2022 and 12 January 2023 for further information.

To cope with the increasingly challenging external business and political environment, the Board resolved to change and re-allocate the use of the unutilised net proceeds. As of 31 March 2023, net proceeds were fully utilised. For more details including the reasons and benefits for the said change, please refer to the announcement of the Company dated 3 November 2023.

As at 30 September 2023, the net proceeds had been utilised as per below:

Intended use of the net proceeds	Actual net proceeds	Actual utilised	Unutilised net	Revised	Amount	Unutilised
		net proceeds	proceeds	allocation of unutilised net proceeds	utilised from	net proceeds
		up to	as at	as at	13 March	as at
		12 March	12 March	12 March	2023 to	30 September
		2023	2023	2023	31 March	2023
		2023	2023	2023	2023	2023
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Repayment of bank (mature in April 2025)	1.40	0.71	0.69	-	-	-
Repayment of overdue trade payables	5.59	4.61	0.98	-	-	-
General working capital	0.40	0.40	-	1.67	1.67	-
	<u>7.39</u>	<u>5.72</u>	<u>1.67</u>	<u>1.67</u>	<u>1.67</u>	<u>-</u>

USE OF PROCEEDS FROM RIGHTS ISSUE

On 31 July 2023, the Company proposed to conduct the Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share, to raise up to HK\$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares ("Rights Issue").

On 8 September 2023, the Company issued 97,670,000 Rights Shares and the net proceeds from the Rights Issue were approximately HK\$18.33 million. Please refer to the announcements of the Company dated 8 September 2023 and 17 August 2023 and the circular dated 31 July 2023 for further information ("Rights Issue Documents").

The following table set outs the details of the intended use of net proceeds as stated in the Rights Issue Documents and as at 30 September 2023, the net proceeds had been utilised as follow:

Intended use of the net proceeds	Actual utilised net proceeds up to 30 September 2023		Unutilised net proceeds as at 30 September 2023
	Actual net proceeds <i>HK\$ million</i>	30 September 2023 <i>HK\$ million</i>	30 September 2023 <i>HK\$ million</i>
Repayment of overdue trade payables	4.80	2.23	2.57
Repayment of bank loans due within one year	1.60	–	1.60
Repayment of bank loans due to a connected person of the Company	4.90	–	4.90
Expansion of the Group’s businesses in the PRC	4.90	–	4.90
General working capital	2.13	–	2.13
	18.33	2.23	16.10

Note: The Company currently expects that the unutilised net proceeds will be used within the next 12 to 18 months as at the date of this interim report.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the six months ended 30 September 2023 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.

PRINCIPAL RISK AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business while there have been no changes in the Group's risk management policies and practices since year end. Other than the potential impact on the operation and financial performance of the Group as mentioned under the paragraph headed "Management Discussion and Analysis – Business Review and Outlook" above, the management considers that the following are the principal risks and uncertainties faced by the Group:

- (a) The Group's business is project-based. The Group mainly derive revenue from projects which are non-recurring in nature. Fee collection and profit margin significantly depend on various factors of each project such as the terms of contracts, duration of project, variation orders, efficiency of implementation of contract work and the general market condition. In general, variation orders usually carry higher profit margin as compared with the works under original contracts. Therefore, revenue generated from the Group's business is irregular and is subject to the availability of projects, variation orders and other factors beyond the Group's control;
- (b) The number and size of the projects the Group can undertake depends on the Group's human and other resources. Due to the size of the Group, a mega-sized project will occupy a substantial part of the Group's resources and inevitably resulted in the Group not being able to deploy resources to other projects and as a result the Group have to rely on a single project or otherwise a small number of projects during the project period. Any decrease in the number of sizable projects in terms of revenue recognised may affect the Group's operations and financial results;
- (c) For the Group's management contracting business, the Group normally receives progress payments from the customers with reference to the percentage of completion of the contract works done by the Group during the relevant month in accordance with the rates and prices based on the agreed tender price. Any failure by the customers to make any payment on time or in full may have a material adverse effect on the Group's liquidity position. Any failure by the customers to eventually pay the amount to the Group may have a material adverse effect on the Group's financial position and operating results; and

- (d) Most of the Group's contracts are awarded to the Group through tendering process. The Group has to determine the tender price and service fee of each project based on the information available to the Group at the time of submitting the tender. The tender price is determined by factors including the scope of works, the estimated duration of the project period, the total time cost and estimated cost involved. The Group determines the price of all the projects at fixed costs based on an agreed scope of works and the estimation of time cost and estimated cost involved. Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

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 six months ended 30 September 2023.

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

The change in director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the 2022/23 Annual Report of the Company, is set out below:

Mr. Yuen Wai Keung was appointed as an independent non-executive Director, the chairman of the Audit Committee; the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company, with effect from 18 August 2023; and

Ms. Yuen Wai Man resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee; the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company, with effect from 18 August 2023.

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. Overall, the Company has complied 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 six months ended 30 September 2023.

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 and 5.29 of the GEM Listing Rules and paragraph D.3.3 and D.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.

As of the date of this report, the Audit Committee is chaired by our independent non-executive Director, Mr. Yuen Wai Keung, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of three other independent non-executive Directors, namely Mr. Ma Meng, Mr. Li Ruyi and Mr. Cheung Hiu Fung.

The unaudited condensed consolidated results of the Group for the six months ended 30 September 2023 has 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 thank all of our management team members and staff for their commitment and contributions. I also greatly appreciate the continued support of our business partners, suppliers, staff and shareholders for their generous support and assistance in the past 6 months. We shall be grateful for your continuing trust and support in the years to come.

By order of the Board

Hao Bai International (Cayman) Limited
Shu Zhongwen

Executive Director and Chief Executive Officer

Hong Kong, 14 November 2023

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