

# 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  
REPORT 2017

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, 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.*

## QUARTERLY FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company are pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2017 (the “Reporting Period”) as follows. The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2017 have been reviewed by the audit committee of the Company (the “Audit Committee”).

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2017

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	31,918	29,114	89,224	79,970
Cost of services		(25,677)	(22,001)	(71,456)	(60,131)
Gross Profit		6,241	7,113	17,768	19,839
Other income		31	3	36	9
Administrative expenses		(3,874)	(2,297)	(11,367)	(8,253)
Other expenses		-	(3,751)	(4,373)	(11,255)
Finance costs		(361)	(248)	(910)	(708)
Profit (loss) before tax		2,037	820	1,154	(368)
Income tax expense	5	(300)	(695)	(500)	(1,611)
Profit (loss) and total comprehensive income (expense) for the period	4	1,737	125	654	(1,979)
Earnings (loss) per share Basic (HK cents)	7	0.13	0.01	0.05	(0.20)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the nine months ended 31 December 2017</b>					
As at 1 April 2017 (audited)	–	37,344	(16,790)	15,069	35,623
Profit and total comprehensive income for the period	–	–	–	654	654
Capitalisation issue of shares	9,750	(9,750)	–	–	–
Issue of shares by public offering	3,250	61,750	–	–	65,000
Share issuance expenses	–	(8,248)	–	–	(8,248)
	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>15,723</u>	<u>93,029</u>
As at 31 December 2017 (unaudited)					
<b>For the nine months ended 31 December 2016</b>					
As at 1 April 2016 (audited)	69	29,275	(16,790)	14,255	26,809
Loss and total comprehensive expense for the period	–	–	–	(1,979)	(1,979)
Issue of shares	9	7,991	–	–	8,000
	<u>78</u>	<u>37,266</u>	<u>(16,790)</u>	<u>12,276</u>	<u>32,830</u>
As at 31 December 2016 (unaudited)					

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the nine months ended 31 December 2017*

## 1. General

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 May 2017 (the "Listing Date"). 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 is located at Room 95-12, 12/F, No. 93-95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong.

The principal activity of the Company is to act as an investment holding company and the principal activities of its major subsidiaries are provision of design, procurement and installation services of water circulation systems.

Pursuant to the reorganisation of the Group (the "Reorganisation") in connection with the listing of the shares of the Company (the "Shares") on GEM (the "Listing"), the Company became the holding company of the companies comprising the Group on 7 March 2016. Details of the Reorganisation are set out under the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 16 May 2017 (the "Prospectus").

## 2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2017.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Reporting Period. There have been no significant changes to the accounting policies applied in these financial statements for the Reporting Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the Reporting Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's Audit Committee.

**2. Basis of Preparation (continued)**

The preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Reporting Period are presented in Hong Kong dollars (“HK\$”), which is the same functional currency of the Company.

**3. Revenue**

Revenue of the Group represents the fair value of amounts received and receivable from management contracting services and the gross proceeds received and receivable from consultancy services and maintenance services.

Information reported to the directors of the Company, being the chief operating decision maker, is organised into divisions for the purposes of resource allocation and performance assessment focusing on the types of services delivered or provided. Specifically, the Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from management contracting services	<b>31,900</b>	29,095	<b>89,170</b>	77,618
Revenue from consultancy services	–	–	–	2,278
Revenue from maintenance services	<b>18</b>	19	<b>54</b>	74
	<b>31,918</b>	29,114	<b>89,224</b>	79,970

#### 4. Profit (Loss) for the Period

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Auditor's remuneration	175	–	525	–
Depreciation of property, plant and equipment	165	173	511	518
Amortisation of payment for a life insurance policy	3	3	9	9
Operating lease rentals	451	447	1,349	1,412
Staff costs				
Directors' emoluments	975	735	2,985	2,305
Other staff costs:				
Salaries, discretionary bonus and other benefits	2,652	2,050	7,007	5,898
Retirement benefit scheme contributions	92	64	235	255
Total staff costs	3,719	2,849	10,227	8,458
Less: Amount capitalised in respect of contracts in progress	(1,888)	(1,544)	(4,910)	(4,206)
	1,831	1,305	5,317	4,252
Contract costs recognised as expenses	25,670	21,994	71,432	58,930
Net exchange loss	–	–	–	9

## 5. Income Tax Expenses

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong Profits Tax	192	–	392	–
Macau tax Current tax	108	695	108	1,611
	<b>300</b>	695	<b>500</b>	1,611

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Pursuant to tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% on the taxable income above Macau Pataca (“MOP”) 600,000.

## 6. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: nil).

## 7. Earnings (Loss) per Shares

The calculation of the basic earnings (loss) per share during the period is based on the profit (loss) for the period, and based on the assumption that the reorganisation and the capitalisation issue of 974,990,000 shares as explained in the sections headed “History, Reorganisation and Corporate Structure” and “Share Capital” respectively in the prospectus of the Company dated 16 May 2017 (the “Prospectus”) had been effective on 1 April 2015 and as adjusted for the capital contributions by shareholders during the period.

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earning (loss):				
Earning (loss) for the purpose of basic earning (loss) per share (profit (loss) for the period)	<b>1,737</b>	125	<b>654</b>	(1,979)
	Number of shares		Number of shares	
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>1,300,000</b>	975,000	<b>1,235,000</b>	972,210

No diluted earnings (loss) per share is presented as there was no potential dilutive ordinary share in issue during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc. We provide services mainly to developers, main contractors and sub-contractors 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 design of water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems.

Looking forward, although certain challenging factors such as (i) the intense competition in the market; (ii) continuous rise of construction labour and material costs; and (iii) the increase in staff costs and shortage of the professional may exert pressure on the Group's business, the Group remains cautiously optimistic about the overall business prospects. The Group is of the view that the development of five-star hotels and private residential projects in Hong Kong and Macau, the expansion of theme park and the recovery of Macau gaming market remain to be the key drivers for the growth of the water-related facility service market.

With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors, and the Group will continue to pursue the following key business strategies: (i) strengthening our industry position and expanding our business by making use of additional financial resources available from the Listing on GEM of the Stock Exchange, which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) establishing a Macau office/warehouse, which will signify our Group's presence and commitment to Macau projects, giving confidence to our potential Macau customers and enhancing our reputation in Macau; and (iii) strengthening our technical and project management capabilities through recruiting additional qualified and experienced staff.

## **Financial Review**

### ***Revenue***

Our total revenue increased by approximately HK\$9.2 million or 11.6% from approximately HK\$80.0 million for the nine months ended 31 December 2016 to approximately HK\$89.2 million for the nine months ended 31 December 2017. The increase in our revenue was primarily derived from the increase in revenue from projects located at Tseung Kwan O and Tai Po of approximately HK\$55.3 million, and such increase was partially offset by the decrease in revenue from project in Macau, Western District, So Kwun Wat and Kennedy Town of approximately HK\$47.7 million for the nine months ended 31 December 2017 when compared with the nine months ended 31 December 2016 as these projects are completed.

### ***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\$11.4 million or 18.8% from approximately HK\$60.1 million for the nine months ended 31 December 2016 to approximately HK\$71.5 million for the nine months ended 31 December 2017, such increase was primarily driven by the increase in sub-contracting fee of approximately HK\$10.0 million, cost of consumables of approximately HK\$0.4 million and labour cost of approximately of HK\$0.3 million, and which is due to the increase in number of projects undertaken in Hong Kong by the Group during the nine months ended 31 December 2017, which generally incur a higher cost than projects in Macau.

### ***Gross profit and gross profit margin***

Our gross profit decreased by approximately HK\$2.1 million or 10.4% from approximately HK\$19.9 million for the nine months ended 31 December 2016 to approximately HK\$17.8 million for the nine months ended 31 December 2017. Such decrease was primarily attributable to the lower gross profit margin from management contracting services during the Reporting Period and the decrease in gross profit for consultancy services of approximately HK\$1.0 million resulting from the absence of revenue from such segment for the Reporting Period.

Our gross profit margin decreased from approximately 24.8% for the nine months ended 31 December 2016 to approximately 19.9% for the nine months ended 31 December 2017. The drop of the gross profit margin was mainly due to the substantial contribution of revenue from projects in Hong Kong, which typically has a lower gross profit margin than projects in Macau. For the nine months ended 31 December 2017, revenue generated from projects in Hong Kong accounted for approximately 90.7% (for the nine months ended 31 December 2016: 53.4%) of our total revenue. The decrease in revenue generated from projects in Macau for the nine months ended 31 December 2017 was mainly due to the suspension of a hotel project in Macau which was led by the industrial accident by other contractors in June 2017 as mentioned in the interim results announcement dated 7 November 2017 and we only resumed our works in November 2017.

#### ***Other income***

Our other income increased from approximately HK\$9,000 for the nine months ended 31 December 2016 to approximately HK\$36,000 for the nine months ended 31 December 2017, primarily due to the increase in interest income on the time deposit.

#### ***Administrative expenses***

Our administrative expenses increased by approximately HK\$3.1 million or 37.7% from approximately HK\$8.3 million for the nine months ended 31 December 2016 to approximately HK\$11.4 million for the nine months ended 31 December 2017. Such increase was primarily due to the increase in Directors' emoluments, staff cost, auditor's remuneration and professional expenses incurred following the Listing in May 2017.

#### ***Finance costs***

Our finance costs increased by approximately HK\$0.2 million or 28.5% from approximately HK\$0.7 million for the nine months ended 31 December 2016 to approximately HK\$0.9 million for the nine months ended 31 December 2017, primarily due to the increase in the level of bank borrowings.

#### ***Other expenses***

Our other expenses decreased from approximately HK\$11.3 million for the nine months ended 31 December 2016 to approximately HK\$4.4 million for the nine months ended 31 December 2017, primarily due to less non-recurring listing expenses charged to the profit or loss for the nine months ended 31 December 2017.

### ***Income tax expense***

Our income tax expenses amounted to approximately HK\$500,000 for the nine months ended 31 December 2017 and approximately HK\$1,611,000 for the nine months ended 31 December 2016.

The net tax provision provided for Macau profits tax was HK\$108,000 for the nine months ended 31 December 2017.

The net tax provision provided for Hong Kong Profits Tax was approximately HK\$392,000 for the nine months ended 31 December 2017. Such provision was made after off-setting the unutilised tax losses in prior years.

### ***Net profit (loss)***

As a result of the foregoing, the Group recorded net profit of approximately HK\$0.7 million for the nine months ended 31 December 2017 compared to a net loss of approximately HK\$2.0 million for the nine months ended 31 December 2016.

If the non-recurring listing expense charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK\$4.3 million or 45.8% from approximately HK\$9.3 million for the nine months ended 31 December 2016 to approximately HK\$5.0 million for the nine months ended 31 December 2017.

### **Dividend**

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: nil).

### **Event after the Reporting Period**

There is no significant event subsequent to 31 December 2017 which would materially affect the Group's operating and financial performance.

## DISCLOSURE OF INTERESTS

### (i) Directors' and Chief Executives' Interest and Short Position in Shares, Underlying Shares or Debentures

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in 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 Rule 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 Shareholder	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan <i>(Note)</i>	Interest in controlled corporation	731,250,000	Long position	56.25%

*Note:* Mr. Nam owns the entire issued share capital of Harmony Asia International Limited ("Harmony Asia International") and is deemed, or taken to be, interested in the same number of Shares held by Harmony Asia International for the purpose of the SFO. Mr. Nam is the Chairman and Chief Executive Officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 31 December 2017, none of Directors nor chief executive of the Company has registered an interests and short positions in Shares or underlying Shares, 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

(ii) **Substantial Shareholders' and Other Persons' Interest and Short Positions in Share or Underlying Share**

As at 31 December 2017, the following persons/entities (other than the Directors and chief executive of the Company) had or deemed to taken to have an interest or short position in the Shares or 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.

<b>Name of Shareholder</b>	<b>Capacity/ Nature of Interests</b>	<b>Number of the Shares held/ interested in</b>	<b>Long/short position</b>	<b>Percentage of Shareholding</b>
Harmony Asia International	Beneficial owner	731,250,000	Long position	56.25%
Mr. Nam Ho Kwan	Interest in controlled corporation ( <i>Note 1</i> )	731,250,000	Long position	56.25%
Mr. Zhang Wei	Beneficial owner/Interest in controlled corporation	243,750,000 ( <i>Note 2</i> )	Long position	18.75%
Morgan Star Investment Limited	Beneficial owner	109,590,000	Long position	8.43%

*Notes:*

- (1) Harmony Asia International is a company incorporated in Samoa which is wholly-owned by Mr. Nam. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International.
- (2) Morgan Star Investment Limited is company incorporated in the British Virgin Islands which is wholly-owned by Mr. Zhang. Therefore, Mr. Zhang is deemed to be interested in all Shares held by Morgan Star Investment Limited.

Save as disclosed above, as at 31 December 2017, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors and Chief Executive's Interests and Short Positions in the Shares, the Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture 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 nine months ended 31 December 2017, no share option was granted, exercised, expired or lapsed 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 2017 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 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

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.

As at 31 December 2017, the net proceeds had been utilised as follows:

	<b>Actual net proceeds</b>	<b>Amount utilised as at 31 December 2017</b>	<b>Balance</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening of the Group’s industry position and expansion of business	19.4	0.2	19.2
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group’s technical and project management capabilities	3.6	1.3	2.3
Establishment of a Macau office/warehouse	2.5	–	2.5
Purchase of tools and equipment	1.6	–	1.6
General working capital	3.3	3.3	–
	<u>38.0</u>	<u>12.4</u>	<u>25.6</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 nine months ended 31 December 2017.

## **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.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As at 31 December 2017, except for (i) the participation of CLC International Limited ("CLC") as the sponsor in relation to the Listing; (ii) the compliance adviser agreement entered into between the Company and CLC dated 26 January 2017; and (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017, neither CLC nor any of its directors, employees or its close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **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 code provision A.2.1 of the CG Code.

Pursuant to 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.

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

## **CHANGES IN INFORMATION**

With effect from 17 January 2018, i) Ms. Wang Rui was appointed as a non-executive Director of the Company; ii) Mr. Lau Wai Hung was appointed as an independent non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee of the Company; and iii) Ms. Chan So Fong has resigned as an independent non-executive Director and ceased to be chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee of the Company as she would like to spend more time to pursue her own business.

Mr. Chong Kam Fung, a non-executive Director of the Company, has been appointed as an independent non-executive director of Ling Yui Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 784) on 28 December 2017.

Mr. Wu Kam On Keith, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Sanbase Corporation Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8501) on 4 January 2018.

Save as disclosed above, there is no changes in the Directors' other major offices which are required to be disclosed under Rule 17.50A of the GEM Listing Rules.

## **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 associate (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 for the nine months ended 31 December 2017.

## **AUDIT COMMITTEE**

The Group has established the 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 with written terms of reference in compliance with the CG Code. 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 our 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 currently consists of four members, namely Mr. Wu Kam On Keith, Mr. Chong Kam Fung, Mr. Kwong Tsz Ching Jack and Mr. Lau Wai Hung. Mr. Wu Kam On Keith is the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2017 had 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.

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

Hong Kong, 9 February 2018

*As at the date of this report, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok and Ms. Wong Wing Hung; the non-executive Directors are Mr. Chong Kam Fung and Ms. Wang Rui; and the independent non-executive Directors are Mr. Wu Kam On Keith, Mr. Kwong Tsz Ching Jack and Mr. Lau Wai Hung.*