

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)



INTERIM 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.

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 six months ended 30 September 2017 (the “Reporting Period”) as follows. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	29,132	23,584	57,306	50,856
Cost of services		(22,960)	(17,197)	(45,779)	(38,130)
Gross Profit		6,172	6,387	11,527	12,726
Other income		2	2	5	6
Administrative expenses		(4,059)	(2,949)	(7,493)	(5,956)
Other expenses		–	(3,752)	(4,373)	(7,504)
Finance costs		(293)	(280)	(549)	(460)
Profit (loss) before tax		1,822	(592)	(883)	(1,188)
Income tax expense	5	(160)	(430)	(200)	(916)
Profit (loss) and total comprehensive income (expense) for the period	4	1,662	(1,022)	(1,083)	(2,104)
Earnings (loss) per share					
Basic (HK cents)	7	0.13	(0.10)	(0.09)	(0.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,118	1,440
Payment for a life insurance policy		2,651	2,653
		<u>3,769</u>	<u>4,093</u>
CURRENT ASSETS			
Amounts due from customers for contract works	8	66,479	41,980
Trade and other debtors, deposits and prepayments	9	29,757	22,731
Pledged and restricted bank deposits	10	2,727	473
Bank balances and cash	10	26,217	1,058
		<u>125,180</u>	<u>66,242</u>
CURRENT LIABILITIES			
Amounts due to customers for contract works	8	–	341
Trade and other creditors and accrued expenses	11	7,655	14,514
Bank borrowings – due within one year	12	24,413	9,649
Obligations under finance leases	13	500	549
Taxation payable		1,750	2,481
Bank overdraft – secured	10	956	2,957
		<u>35,274</u>	<u>30,491</u>

		As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
NET CURRENT ASSETS		89,906	35,751
TOTAL ASSETS LESS CURRENT LIABILITIES		93,675	39,844
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	12	2,343	3,944
Obligations under finance leases	13	40	277
		2,383	4,221
		91,292	35,623
CAPITAL AND RESERVES			
Share capital	14	13,000	–
Reserves		78,292	35,623
		91,292	35,623

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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>
For the six months ended 30 September 2017					
As at 1 April 2017 (audited)	–	37,344	(16,790)	15,069	35,623
Loss and total comprehensive expense for the period	–	–	–	(1,083)	(1,083)
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>13,986</u>	<u>91,292</u>
As at 30 September 2017 (unaudited)					
For the six months ended 30 September 2016					
As at 1 April 2016 (audited)	69	29,275	(16,790)	14,255	26,809
Loss and total comprehensive expense for the period	–	–	–	(2,104)	(2,104)
Issue of shares	9	7,991	–	–	8,000
	<u>78</u>	<u>37,266</u>	<u>(16,790)</u>	<u>12,151</u>	<u>32,705</u>
As at 30 September 2016 (unaudited)					

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Loss before tax	(883)	(1,188)
Adjustments for:		
Depreciation of property, plant and equipment	346	345
Interest expenses	549	460
Amortisation of payment for a life insurance policy	6	6
Interest income	(5)	(6)
Operating cash flows before movements in working capital	13	(383)
Changes in amounts due from/to customers for contract works	(24,840)	(21,520)
Increase in trade and other debtors, deposits and prepayments	(7,026)	(37)
(Decrease) increase in trade and other creditors and accrued expenses	(6,859)	6,790
Cash used in operations	(38,712)	(15,150)
Profits tax paid	(931)	(4,066)
NET CASH USED IN OPERATING ACTIVITIES	(39,643)	(19,216)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(24)	(140)
(Placement) release of pledged and restricted bank deposits	(2,254)	1,001
Interest received	1	2
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,277)	863

	NOTES	Six months ended	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
FINANCING ACTIVITIES			
New bank borrowings raised		25,000	15,000
Proceeds from issue of shares		65,000	8,000
Share issuance expenses		(8,248)	–
Repayment of bank borrowings and finance leases		(12,123)	(9,440)
Interest paid		(549)	(460)
NET CASH FROM FINANCING ACTIVITIES		69,080	13,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		27,160	(5,253)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		(1,899)	7,261
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	25,261	2,008
Represented by:			
Bank balances and cash		26,217	2,638
Bank overdraft		(956)	(630)
		25,261	2,008

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 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 and Segment Information

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 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue from management contracting services	29,114	21,875	57,270	48,523
Revenue from consultancy services	-	1,691	-	2,278
Revenue from maintenance services	18	18	36	55
	29,132	23,584	57,306	50,856

3. Revenue and Segment Information (continued)

Segment profit represents the profit earned by each reportable and operating segment without allocation of corporate income, central administrative costs, and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 September 2017

	Management contracting services <i>HK\$'000</i> (Unaudited)	Consultancy services <i>HK\$'000</i> (Unaudited)	Maintenance services <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE				
External sales	57,270	–	36	57,306
Segment profit	11,508	–	19	11,527
Corporate income				5
Central administrative and other expenses				(11,866)
Finance costs				(549)
Loss before tax				(883)

3. Revenue and Segment Information (continued)

For the six months ended 30 September 2016

	Management contracting services <i>HK\$'000</i> (Unaudited)	Consultancy services <i>HK\$'000</i> (Unaudited)	Maintenance services <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE				
External sales	48,523	2,278	55	50,856
Segment profit	11,587	1,099	40	12,726
Corporate income				6
Central administrative and other expenses				(13,460)
Finance costs				(460)
Loss before tax				(1,188)

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	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Hong Kong	26,119	11,217	51,245	22,899
Macau	3,013	12,367	6,061	27,957
	29,132	23,584	57,306	50,856

3. Revenue and Segment Information (continued)

Information about major customers

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	25,378	14,739	48,768	28,784
Customer B	N/A ¹	N/A ¹	N/A ¹	6,515
Customer C	N/A ¹	N/A ¹	N/A ¹	5,984
Customer D	N/A ¹	2,772	N/A ¹	N/A ¹

¹ Revenue from customer is less than 10% of the total revenue of the Group for the relevant period.

4. Profit (Loss) for the Period

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Auditor's remuneration	175	–	350	–
Depreciation of property, plant and equipment	173	174	346	345
Amortisation of payment for a life insurance policy	3	3	6	6
Operating lease rentals	450	484	898	965
Staff costs				
Directors' emoluments	990	835	2,010	1,570
Other staff costs:				
Salaries, discretionary bonus and other benefits	2,218	1,927	4,355	3,848
Retirement benefit scheme contributions	73	102	143	191
Total staff costs	3,281	2,864	6,508	5,609
Less: Amount capitalised in respect of contracts in progress	(1,552)	(1,472)	(3,022)	(2,662)
	1,729	1,392	3,486	2,947
Contract costs recognised as expenses	22,955	16,424	45,762	36,936
Net exchange loss	–	5	–	9

5. Income Tax Expense

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	160	–	200	–
Macau tax				
Current tax	–	430	–	916
	<u>160</u>	<u>430</u>	<u>200</u>	<u>916</u>

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 six months ended 30 September 2017 (for the six months ended 30 September 2016: nil).

8. Amounts due from/to Customers for Contract Works

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Contracts in progress at the end of the reporting period:		
Contract costs incurred	257,201	211,522
Recognised profits less recognised losses	99,231	87,723
	356,432	299,245
Less: Progress billings	(289,953)	(257,606)
	66,479	41,639
Analysed for reporting purposes as:		
Amounts due from customers for contract works	66,479	41,980
Amounts due to customers for contract works	-	(341)
	66,479	41,639

At the end of reporting period, retention held by customers for contract works amounted to HK\$10,042,000 (31 March 2017: HK\$10,104,000), which are set out in note 9.

9. Trade and Other Debtors, Deposits and Prepayments

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade debtors	12,193	11,156
Retention receivables (<i>Note a</i>)	10,042	10,104
Pledged deposits to an insurance company (<i>Note b</i>)	565	352
Other debtors, deposits and prepayments	6,957	1,119
	29,757	22,731

Notes:

- (a) 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.
- (b) Pledged deposits of HK\$565,000 (31 March 2017: HK\$352,000) to an insurance company is the security for issuance of performance bonds in respect of construction contracts with prevailing market rates ranging from 0.05% to 0.1% (31 March 2017: 0.05% to 0.1%) per annum.

Trade debtors mainly arise from management contracting business. 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.

9. Trade and Other Debtors, Deposits and Prepayments (continued)

The aged analysis of trade debtors presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	6,215	7,347
More than 30 days and within 60 days	–	34
More than 60 days	5,978	3,775
	12,193	11,156

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.

10. Pledged and Restricted Bank Deposits, Bank Balances and Cash and Bank Overdraft

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Pledged bank deposits	2,500	–
Restricted bank deposits	227	473
Bank balances and cash	26,217	1,058
Bank overdraft	(956)	(2,957)
	27,988	(1,426)
Less: Pledged and restricted bank deposits	(2,727)	(473)
Cash and cash equivalents	25,261	(1,899)

10. Pledged and Restricted Bank Deposits, Bank Balances and Cash and Bank Overdraft (continued)

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group with maturity within one year from the end of each reporting period and are therefore classified as current assets. The pledged bank deposits carry fixed interest rates of 0.5% per annum at 30 September 2017.

The restricted bank deposits represent cash held at banks as security for due performance under several management contracting with prevailing market rates of 0.1% per annum at 30 September 2017 (31 March 2017: 0.05% to 0.1%).

As at 30 September 2017, the bank overdraft carries interest rates of 1.5% over the prime rate per annum. The bank overdraft of HK\$956,000 is secured by the corporate guarantee of the Company.

As at 31 March 2017, the bank overdraft carries interest rates 1.5% over the prime rate per annum. The bank overdraft of HK\$2,121,000 is secured by personal bank deposit of HK\$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK\$7,000,000 each. Another bank overdraft of HK\$836,000 is secured by pledged and restricted bank deposits.

11. Trade and Other Creditors and Accrued Expenses

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade creditors	6,677	9,452
Accrued listing expenses	–	3,095
Other creditors and accrued expenses	<u>978</u>	<u>1,967</u>
	<u>7,655</u>	<u>14,514</u>

The average credit period on trade creditors is 30 – 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 30 days	2,648	2,544
More than 30 days and within 60 days	2,060	637
More than 60 days	<u>1,969</u>	<u>6,271</u>
	<u>6,677</u>	<u>9,452</u>

12. Bank Borrowings

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Bank borrowings		
Secured	26,756	13,593

The bank borrowings are repayable as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
On demand or within one year	24,413	9,649
More than one year, but not exceeding two years	350	1,951
More than two years, but not exceeding five years	–	–
More than five years	1,993	1,993
	26,756	13,593
Less: Amount due within one year shown under current liabilities	(24,413)	(9,649)
Amount due after one year shown under non-current liabilities	2,343	3,944

Except for bank borrowings of HK\$1,993,000 (31 March 2017: HK\$1,993,000) which are denominated in US\$, all the bank borrowings are denominated in HK\$. The bank borrowings carry floating interest rates ranging from 2.91% to 5.75% (31 March 2017: 2.43% to 5.75%) per annum based on prime rate or London Interbank offered rate plus a spread.

As at 30 September 2017, bank borrowing amounting to HK\$22,358,000 is secured by bank deposit of HK\$2,500,000 and corporate guarantee of the Company. Other bank borrowings amounting to HK\$2,405,000 is secured by the corporate guarantee of the Company.

12. Bank Borrowings (continued)

As at 30 September 2017 and 31 March 2017, bank borrowing amounting to HK\$1,993,000 is secured by a life insurance policy.

As at 31 March 2017, bank borrowing amounting to HK\$7,842,000 is secured by personal bank deposit of HK\$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK\$7,000,000 each. Another bank borrowing amounting to HK\$3,600,000 is guaranteed by Mr. Nam Ho Kwan for HK\$5,000,000.

As at 31 March 2017, bank borrowing amounting to HK\$158,000 is secured by pledged and restricted bank deposits.

13. Obligations under Finance Leases

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	500	549
Non-current liabilities	<u>40</u>	<u>277</u>
	540	826

The Group has leased certain of its motor vehicles under finance leases. The lease term ranges from four to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.75% to 6.54% (31 March 2017: 4.75% to 6.54%) per annum. These leases have no terms of renewal or purchase options and escalation clauses.

13. Obligations under Finance Leases (continued)

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Obligations under finance leases payable:				
Within one year	513	576	500	549
Within a period of more than one year but not more than two years	40	281	40	277
Within a period of more than two years but not more than five years	-	-	-	-
	553	857	540	826
Less: future finance charges	(13)	(31)	N/A	N/A
Present value of lease obligations	540	826	540	826
Less: Amount due for settlement with twelve months (shown under current liabilities)			(500)	(549)
Amount due for settlement after twelve months			40	277

14. Share Capital

The movement in the Company's authorised and issued ordinary share capital are as follows:

	Nominal value per share	Number of shares
Ordinary shares		
Authorised:		
At 23 November 2015 (date of incorporation) and 31 March 2016	US\$1	50,000
Cancellation of shares (<i>Note 1</i>)	US\$1	(50,000)
Creation of shares (<i>Note 1</i>)	HK\$0.01	<u>2,000,000,000</u>
At 31 March 2017 and 30 September 2017	HK\$0.01	<u>2,000,000,000</u>

	Nominal value per share	Number of shares	Share capital	
			US\$'000	HK\$'000
Issued and fully paid:				
At date of incorporation	US\$1	1	–	–
Issue of shares on 5 February 2016	US\$1	8,875	9	69
Issue of shares on 8 April 2016	US\$1	1,124	1	9
Cancellation of shares on				
19 January 2017 (<i>Note 1</i>)	US\$1	(10,000)	(10)	(78)
Issue of shares on				
19 January 2017 (<i>Note 1</i>)	HK\$0.01	<u>10,000</u>		<u>–</u>
At 31 March 2017 (audited)	HK\$0.01	10,000		–
Capitalisation issue of shares (<i>Note 2</i>)	HK\$0.01	974,990,000		9,750
Issue of shares by public offering (<i>Note 3</i>)	HK\$0.01	<u>325,000,000</u>		<u>3,250</u>
At 30 September 2017 (unaudited)	HK\$0.01	<u>1,300,000,000</u>		<u>13,000</u>

14. Share Capital (continued)

Note:

1. On 19 January 2017, the Company increased its authorised share capital by HK\$20,000,000 by the creation of 2,000,000,000 Shares of par value HK\$0.01 each (the "Increase"). Following the Increase, the Company allotted and issued 7,500 nil paid shares, 1,376 nil paid shares and 1,124 nil paid shares to Harmony Asia International, Global Equity Value Fund SPC FRO Capital Fund I SP and Morgan Star Investment Limited respectively, for an aggregate price of US\$10,000 (the "Subscription Price").

On 19 January 2017, the Company repurchased all the existing 10,000 shares of US\$1.00 each (the "Existing Shares") for an aggregate price of US\$10,000 (the "Repurchase Price"), which was offset against the Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of the Company, and the authorised share capital of the Company became HK\$20,000,000 divided into 2,000,000,000 shares of nominal value of HK\$0.01 each.

2. Pursuant to the written resolution passed by the shareholders of the Company dated 12 May 2017, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company were authorised to allot and issue 974,990,000 ordinary shares of HK\$0.01 each of the Company, by way of capitalisation of the sum of approximately HK\$9,750,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the existing shareholders ("Capitalisation Issue"). The Capitalisation Issue was completed on 26 May 2017.
3. On 26 May 2017, 325,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.20 by way of public offering. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK\$3,250,000 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$61,750,000, before issuing expenses, were credited to share premium account.

15. Contingent Liabilities

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Indemnities issued to banks and an insurance company for performance bonds in respect of construction contracts	1,928	1,464

16. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	1,168	1,609
In the second to fifth year inclusive	18	383
	1,186	1,992

Leases in respect of premises are negotiated, and monthly rentals are fixed, for terms ranging from one to two years at the end of each reporting period.

17. 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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Pledged and restricted bank deposits	2,727	473
Pledged deposits to an insurance company	565	352
Payment for a life insurance policy	2,651	2,653
	5,943	3,478

18. Related Party Transactions

- (a) The Group entered into the following transactions with its related parties during the Reporting Period:

As at 31 March 2017, bank borrowing amounting to HK\$7,842,000 is secured by personal bank deposit of HK\$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK\$7,000,000 each. Another bank borrowing amounting to HK\$3,600,000 is guaranteed by Mr. Nam Ho Kwan for HK\$5,000,000. As at 30 September 2017, the said personal guaranteed was replaced by the corporate guarantee of the Company and the personal bank deposit was replaced by a fixed deposit of a subsidiary of the Company.

- (b) The remuneration of key management during the Reporting Period was as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	976	821	1,983	1,543
Post-employment benefits	14	14	27	27
	990	835	2,010	1,570

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\$6.4 million or 12.7% from approximately HK\$50.9 million for the six months ended 30 September 2016 to approximately HK\$57.3 million for the six months ended 30 September 2017. The increase in our revenue was primarily derived from the increase in revenue from projects located at Western District and Tseung Kwan O of approximately HK\$34.9 million, and such increase was partially offset by the decrease in revenue from project in Macau, So Kwun Wat, Tuen Mun and Kennedy Town of approximately HK\$27.9 million for the six months ended 30 September 2017 when compared with the six months ended 30 September 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\$7.7 million or 20.1% from approximately HK\$38.1 million for the six months ended 30 September 2016 to approximately HK\$45.8 million for the six months ended 30 September 2017, such increase was primarily driven by the increase in cost of consumables of approximately HK\$5.8 million, sub-contracting fee of approximately HK\$0.8 million and labour cost of approximately of HK\$0.8 million, and which is due to the increase in number of projects undertaken in Hong Kong by the Group during the six months ended 30 September 2017, which generally incur a higher cost than projects in Macau.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$1.2 million or 9.4% from approximately HK\$12.7 million for the six months ended 30 September 2016 to approximately HK\$11.5 million for the six months ended 30 September 2017. Such decrease was primarily attributable to the decrease in gross profit for consultancy services of approximately HK\$1.1 million resulting from the absence of revenue from such segment for the Reporting Period.

Our gross profit margin decreased from approximately 25.0% for the six months ended 30 September 2016 to approximately 20.1% for the six months ended 30 September 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 six months ended 30 September 2017, revenue generated from projects in Hong Kong accounted for approximately 89.4% (for the six months ended 30 September 2016: 45.0%) of our total revenue. The decrease in revenue generated from projects in Macau for the six months ended 30 September 2017 was mainly due to the industrial accident by other contractors at the site of our hotel project in Macau which has led to the suspension of the whole construction work for more than three months from mid-June 2017.

Other income

Our other income decreased from approximately HK\$6,000 for the six months ended 30 September 2016 to approximately HK\$5,000 for the six months ended 30 September 2017, primarily due to the decrease in interest income.

Administrative expenses

Our administrative expenses increased by approximately HK\$1.5 million or 25.8% from approximately HK\$6.0 million for the six months ended 30 September 2016 to approximately HK\$7.5 million for the six months ended 30 September 2017. Such increase was primarily due to the increase in Directors' emoluments, auditor's remuneration and professional expenses incurred following the Listing in May 2017.

Finance costs

Our finance costs increased by approximately HK\$89,000 or 19.3% from approximately HK\$460,000 for the six months ended 30 September 2016 to approximately HK\$549,000 for the six months ended 30 September 2017, primarily due to the increase in the level of bank borrowings.

Other expenses

Our other expenses decreased from approximately HK\$7.5 million for the six months ended 30 September 2016 to approximately HK\$4.4 million for the six months ended 30 September 2017, primarily due to the non-recurring listing expenses charged to the profit or loss for the six months ended 30 September 2017.

Income tax expense

Our income tax expenses amounted to approximately HK\$916,000 for the six months ended 30 September 2016 and approximately HK\$200,000 for the six months ended 30 September 2017.

The net tax provision provided for Macau profits tax was nil for the six months ended 30 September 2017 since the assessable profit did not exceed the Complementary Tax thresholds, thus is not subject to Macau profits tax.

The net tax provision provided for Hong Kong Profits Tax was approximately HK\$200,000 for the six months ended 30 September 2017. Such provision was made after off-setting the unutilised tax losses in prior years.

Net loss

As a result of the foregoing, our net loss for the period decreased by approximately HK\$1.0 million or 48.5% from approximately HK\$2.1 million for the six months ended 30 September 2016 to approximately HK\$1.1 million for the six months ended 30 September 2017.

If the non-recurring listing expense charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK\$2.1 million or 39.1% from approximately HK\$5.4 million for the six months ended 30 September 2016 to approximately HK\$3.3 million for the six months ended 30 September 2017.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2017.

Event after the Reporting Period

There is no significant event subsequent to 30 September 2017 which would materially affect the Group's operating and financial performance.

Liquidity, financial resources and funding

As at 30 September 2017, the Group had total assets of approximately HK\$128.9 million (31 March 2017: approximately HK\$70.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$37.6 million (31 March 2017: approximately HK\$34.7 million) and approximately HK\$91.3 million (31 March 2017: approximately HK\$35.6 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2017 were approximately HK\$27.7 million (31 March 2017: approximately HK\$16.6 million), and current ratio as at 30 September 2017 was approximately 3.5 times (31 March 2017: approximately 2.2 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, bank overdrafts and obligation under finance leases divided by total equity, decreased from approximately 48.8% as at 31 March 2017 to approximately 30.9% as at 30 September 2017, primarily due to the increase in the total equity outweighed the increase in the level of bank borrowings. The increase in the total equity was primarily due to the issue of shares under the Listing whereas the increase in the level of bank borrowings was primarily due to the additional term loan raised during the Reporting Period.

Capital structure

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

As at 30 September 2017, the Company's issued share capital was HK\$13,000,000 (31 March 2017: HK\$100) divided into 1,300,000,000 ordinary Shares of par value of HK\$0.01 each (31 March 2017: 10,000 of HK\$0.01 each).

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and the staff quarters. The Group's operating lease commitments amounted to approximately HK\$1.2 million as at 30 September 2017 (31 March 2017: approximately HK\$2.0 million).

Segmental information

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

Future plans for material investments and capital assets

As at 30 September 2017, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and disposals of subsidiaries and affiliated companies

During the six months ended 30 September 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

Save as disclosed in note 15 of the notes to the unaudited condensed consolidated financial statements, as at 30 September 2017, the Group did not have other material contingent liabilities.

Foreign currency exposure

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

Pledge of assets

Save as disclosed in note 17 of notes to the unaudited condensed consolidated financial statements, as at 30 September 2017, the Group did not have other pledge of assets.

Employees and remuneration policies

As at 30 September 2017, the Group employed a total of 28 employees (31 March 2017: 24 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$6.5 million for the six months ended 30 September 2017 (for the six months ended 30 September 2016: approximately HK\$5.6 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 Shares, Underlying Shares or Debentures

As at 30 September 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 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 corporations	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 the 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 shareholder of the Company.

Save as disclosed above, as at 30 September 2017, 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

(ii) Substantial Shareholders' and Other Persons' Interest and Short Position in the Shares or Underlying Shares

As at 30 September 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.

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 <i>(Note 1)</i>	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 <i>(Note 2)</i>	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 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 30 September 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 Interest and Short Position in Shares, Underlying Shares or Debentures” above, had notified the Company of an interest or short position in the Shares or underlying Shares 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 six months ended 30 September 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 six months ended 30 September 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 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2017 is set out below:

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 September 2017
Strengthening of our industry position and expansion of our business	Undertake more projects and satisfy potential requirements of performance bond.	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 30 September 2017, the Group has paid approximately HK\$0.2 million to satisfy requirement of performance bond of new projects.
Repayment of bank borrowings	Repay outstanding amount under the bank borrowings advanced to our Group.	The Group has used approximately HK\$7.6 million to repay the outstanding bank borrowings.
Strengthening our technical and project management capabilities	Recruit additional professional staff with relevant experience, including one chartered senior engineer, one quantity surveyor, one assistant project manager and one engineer.	The Group has added 7 headcounts of junior to senior level engineering staff to cope with its business development with additional staff costs of approximately HK\$0.6 million for the reporting period. The Group regularly reviews the need for further recruitments to cope with the business development.
	Provide technical seminars and safety courses for our staff.	The Group has paid approximately HK\$0.1 million for the reporting period to sponsor its engineering staff to attend technical seminars and safety courses organised by third parties.
Establishing a Macau office/warehouse	Rent an office/a warehouse in Macau and renovate and purchase fixed assets for the newly leased office/warehouse.	The Group is in the process of identifying appropriate office/warehouse in Macau.
Purchase of tools and equipment	Purchase tools and equipment to enhance our high level working environment and improve our efficiency for the provision of installation services of Water Circulation Systems.	The Group is in the process of selecting tools and equipment.

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 30 September 2017, the net proceeds had been utilised as follows:

	Actual net proceeds <i>HK\$ million</i>	Amount utilised as at 30 September 2017 <i>HK\$ million</i>	Balance <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	0.7	2.9
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>11.8</u>	<u>26.2</u>

PRINCIPAL RISKS 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. The following are the key risks and uncertainties identified by the Group:

- (a) The Group's business is project-based. The Group mainly derive revenue from projects which are nonrecurrent 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 receive 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's 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 have 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 determine 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.

The Group has established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risk associated with their respective function, preparing and measuring risk mitigation plans and reporting the status of risk management.

Going forward, the Directors will engage an independent internal control consultant to review the effectiveness of the Group's risk management and internal control system regularly and directly report to the Audit Committee of the Company.

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 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 30 September 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 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

On 25 October 2017, Mr. Tan Kean Ee has resigned as a non-executive Director and member of the Remuneration Committee of the Company as he wishes to pursue his other interests.

Mr. Chong Kam Fung, a non-executive Director of the Company, has been appointed as an independent non-executive director of Basetrophy Group Holdings Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8460) on 27 June 2017.

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 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 conflicts of interests which any such person has or may have with the Group for the six months ended 30 September 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 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 currently consists of four members, namely Mr. Wu Kam On Keith, Mr. Chong Kam Fung, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack. 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 six months ended 30 September 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 Executive Director

Hong Kong, 7 November 2017

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 Director is Mr. Chong Kam Fung; and the independent non-executive Directors are Mr. Wu Kam On Keith, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack.