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HAO BAI INTERNATIONAL (CAYMAN) LIMITED

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2019

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

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

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

This announcement, for which the directors (the “Directors”) of Hao Bai International (Cayman) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “Group”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

QUARTERLY FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company are pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2019 (the “Reporting Period”) as follows. The unaudited condensed consolidated results of the Group for the three months ended 30 June 2019 have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2019

		Three months ended 30 June	
		2019	2018
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	49,991	31,549
Cost of services		(43,588)	(24,576)
Gross Profit		6,403	6,973
Other income		76	38
Administrative expenses		(4,394)	(4,799)
Finance costs		(796)	(538)
Profit before income tax	4	1,289	1,674
Income tax expenses	5	(80)	(230)
Profit and total comprehensive income for the period		<u>1,209</u>	<u>1,444</u>
Earnings per share, basic and diluted (<i>HK cents</i>)	7	<u>0.09</u>	<u>0.11</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2019

	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 three months ended 30 June 2019					
As at 1 April 2019 (audited)	13,000	81,096	(16,790)	21,034	98,340
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,209</u>	<u>1,209</u>
As at 30 June 2019 (unaudited)	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>22,243</u>	<u>99,549</u>
For the three months ended 30 June 2018					
As at 1 April 2018 (audited)	13,000	81,096	(16,790)	18,052	95,358
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,444</u>	<u>1,444</u>
As at 30 June 2018 (unaudited)	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>19,496</u>	<u>96,802</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 2019

1. GENERAL

Hao Bai International (Cayman) Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company consider the Company’s immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was located at Workshop Unit A, 7/F, Wah Shing Industrial Building, No.18 Cheung Shun Street, Kowloon, Hong Kong with effect from 21 July 2018.

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

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

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

These unaudited condensed consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the below new and revised HKFRSs that have become effective from 1 April 2019.

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest are recognised on the right-of-use assets and the lease liabilities respectively. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. No reclassification and adjustment arising from the new leasing standard was recognised in the opening balance on 1 April 2019 as the effect on the financial results and financial position of the Group was insignificant.

On the first adoption of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liabilities was measured at the present value of the remaining minimum lease payments, discounted using the Group's incremental borrowing rates as of 1 April 2019, with the relevant interest charged to profit or loss over the lease period. The Group applied single discount rate to a portfolio of leases with reasonably similar characteristics in Hong Kong. The weighted average incremental borrowing rates applied to the lease liabilities in Hong Kong on 1 April 2019 was 5.875%. The right-of-use assets of approximately HK\$2,045,000 were recognised at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets were depreciated over the lease period on a straight-line basis. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the three months ended 30 June 2019 was approximately HK\$35,000 and HK\$491,000 respectively. The operating lease expenses on leases with remaining lease term of less than 12 months as at 1 April 2019 recognised in profit or loss during the three months ended 30 June 2019 amounted to approximately HK\$143,000.

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

3. REVENUE AND SEGMENT INFORMATION

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

Based on the products and services offered by the Group to the customers, the executive directors of the Company consider that the operating segments are as follows:

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

	Three months ended 30 June	
	2019	2018
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenue from management contracting services	49,991	30,031
Revenue from consultancy services	–	1,500
Revenue from maintenance services	–	18
	49,991	31,549

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

4. PROFIT BEFORE INCOME TAX

	Three months ended 30 June	
	2019	2018
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
This is stated after charging:		
Staff costs and related expenses (including directors' remuneration)		
Directors' emoluments	993	1,510
Salaries, allowances and other benefits	3,412	2,656
Discretionary bonus	12	–
Contributions to defined contribution plans	126	117
	4,543	4,283
Less: Amount included in cost of services	(2,275)	(2,428)
	2,268	1,855
Other items		
Auditor's remuneration	150	175
Contract costs recognised as expenses*	43,588	23,815
Depreciation of		
– Property, plant and equipment	63	149
– Lease assets	491	–
Operating lease payments on premises	143	548

* Contract costs included approximately HK\$12,102,000 (2018: approximately HK\$11,146,000) and approximately HK\$2,275,000 (2018: approximately HK\$1,684,000) relating to the consumables and staff cost respectively which are also included in the amounts disclosed separately above.

5. INCOME TAX EXPENSES

	For the three months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong Profits Tax Current period	<u>80</u>	<u>203</u>
Macau Complementary Tax Current period	<u>-</u>	<u>27</u>
Deferred tax	<u>80</u>	<u>230</u>
Total income tax expenses for the period	<u><u>80</u></u>	<u><u>230</u></u>

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the three months ended 30 June 2019 and 2018, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime.

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% (2018: 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 three months ended 30 June 2019 (2018: nil).

7. EARNINGS PER SHARE

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

	For the three months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period attributable to the owners of the Company, used in basic and diluted earnings per share calculation	<u><u>1,209</u></u>	<u><u>1,444</u></u>
	Number of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	<u><u>1,300,000,000</u></u>	<u><u>1,300,000,000</u></u>

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the three months ended 30 June 2019 and 2018.

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 subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our services are mainly categorised as (i) management contracting services – design, procurement and installation of water circulation systems, (ii) consultancy services – provision of consultancy services on water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems.

During the reporting period, the Directors continued to observe the challenges that the Group has been facing under the external macroeconomic slowdown. The highly competitive market coupled with high labour cost of the experienced labour are the key factors causing pressure on the profit margins among the industry peers. It is expected the Group will continue to face intense competition to secure projects while we use our best efforts to manage the progress and costs of projects to enhance our competitiveness in sourcing projects.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connection with various main contractors and property developers in the industry, the Group will explore the opportunities to expand our businesses into other building related contracting services in Hong Kong, Macau and China to maintain the continuous growth of the Group. With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned, well-equipped and confident to compete against its competitors and sustain its development amid the increasingly challenging external business environment. The Directors will keep close track of the economic environment and evaluate its business strategies from time to time to adapt the challenging market for the sustainable development of the Group and grasp the opportunities to enhance the long-term potential growth in the future.

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK\$18.5 million or 58.5% from approximately HK\$31.5 million for the three months ended 30 June 2018 to approximately HK\$50.0 million for the three months ended 30 June 2019. The increase in our revenue was attributable to the combined effect of:

- (i) the increase in the revenue derived from management contracting services by approximately HK\$20.0 million or 66.5%, from approximately HK\$30.0 million for the three months ended 30 June 2018 to approximately HK\$50.0 million for the three months ended 30 June 2019. Such increase was primarily derived from increase in revenue from projects located at Tai Po and Southern District of approximately HK\$21.6 million for the three months ended 30 June 2019 when compared with the three months ended 30 June 2018; and
- (ii) the decrease in the revenue derived from consultancy services by approximately HK\$1.5 million was resulting from the absence of revenue from such segment for the three months ended 30 June 2019.

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\$19.0 million or 77.4% from approximately HK\$24.6 million for the three months ended 30 June 2018 to approximately HK\$43.6 million for the three months ended 30 June 2019, such increase was primarily driven by the increase in cost of sub-contracting fees of approximately HK\$18.0 million and consumables costs of approximately HK\$1.0 million for the three months ended 30 June 2019.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$0.6 million or 8.2% from approximately HK\$7.0 million for the three months ended 30 June 2018 to approximately HK\$6.4 million for the three months ended 30 June 2019. Such decrease was primarily attributable to the decrease in gross profit of approximately HK\$0.8 million from the consultancy services.

Our gross profit margin decreased from approximately 22.1% for the three months ended 30 June 2018 to approximately 12.8% for the three months ended 30 June 2019. The decrease was mainly due to i) certain works performed under variation orders during the Reporting Period carried a lower gross profit margin; ii) the decrease in revenue derived from projects in Macau. Generally, our projects in Macau enjoy a relatively higher gross profit margin as compared to projects in Hong Kong; and iii) the absence of revenue derived from consultancy services, such segment generally has a relatively higher gross profit margin as compared to management contracting services segment.

Other income

Our other income increased from approximately HK\$38,000 for the three months ended 30 June 2018 to approximately HK\$76,000 for the three months ended 30 June 2019, primarily due to the increase in interest income on the time deposit.

Administrative expenses

Our administrative expenses decreased by approximately HK\$0.4 million or 8.4% from approximately HK\$4.8 million for the three months ended 30 June 2018 to approximately HK\$4.4 million for the three months ended 30 June 2019, primarily due to the decrease in legal and professional fees and bank handling charge. Such decrease was partially off-set by the increase in staff cost.

Finance costs

Our finance costs increased by approximately HK\$0.3 million or 48.0% from approximately HK\$0.5 million for the three months ended 30 June 2018 to approximately HK\$0.8 million for the three months ended 30 June 2019, primarily due to the increase in the level of bank borrowings to finance the projects which have been at early stage during the period.

Income tax expenses

Our income tax expense decreased by approximately HK\$150,000 or 65.2% from approximately HK\$230,000 for the three months ended 30 June 2018 to approximately HK\$80,000 for the three months ended 30 June 2019. Such decrease was primarily driven by the decrease in assessable profits in Hong Kong and Macau.

Net Profit

As a result of the foregoing, our net profit decreased by approximately HK\$0.2 million or 16.3% from approximately HK\$1.4 million for the three months ended 30 June 2018 to approximately HK\$1.2 million for the three months ended 30 June 2019.

Dividend

No dividend was declared or proposed by the Board for the three months ended 30 June 2019 and 2018.

Event after the Reporting Period

The Board is not aware of any significant event subsequent to 30 June 2019 which would materially affect the Group's operating and financial performance.

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan (Note)	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 the Shares held by Harmony Asia International for the purpose of the SFO. Mr. Nam is the Chairman of the Board and Chief Executive Officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2019, the following persons/entities had or deemed to taken to have an interest or short position in the Shares, underlying Shares or debentures which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/ Nature of Interests	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Harmony Asia International	Beneficial owner (Note 1)	731,250,000	Long position	56.25%
Mr. Nam Ho Kwan	Interest in controlled corporation (Note 1)	731, 250,000	Long position	56.25%
Mr. Zhang Wei	Beneficial owner/ Interest in controlled corporation (Note 2)	243,750,000	Long position	18.75%
Morgan Star Investment Limited	Beneficial owner (Note 2)	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 a 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 June 2019, no person/entities had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

During the three months ended 30 June 2019, 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 three months ended 30 June 2019 was the Company or any of its associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

USE OF PROCEEDS

The Shares were listed on GEM on 26 May 2017 pursuant to the initial public offering of the Company (the “Listing”). 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 of the Company dated 16 May 2017 (the “Prospectus”).

As at 30 June 2019, the net proceeds had been utilised as follows:

	Actual net proceeds <i>HK\$ million</i>	Amount utilised as at 30 June 2019 <i>HK\$ million</i>	Balance <i>HK\$ million</i>
Strengthening of the Group’s industry position and expansion of business	19.4	0.8	18.6
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group’s technical and project management capabilities	3.6	3.6	–
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>15.3</u>	<u>22.7</u>

Due to the increasingly challenging external business environment and the actual development of the Group, the Group did not fully utilise the net proceeds as per the planned time frame with reference to the disclosure in the Prospectus.

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 three months ended 30 June 2019.

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 June 2019, 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; (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017; and (iv) the second supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 26 July 2019, neither CLC nor any of its directors, employees or its close associates had any interests in relation to the Group which is required 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

With effect from 2 July 2019, Ms. Wang Rui, a non-executive Director of the Company, has been re-designated as an executive Director of the Company. Further details can be found in the Company’s announcement published on 2 July 2019.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associate (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group for the three months ended 30 June 2019.

AUDIT COMMITTEE

The Group has established an Audit Committee pursuant to a resolution of the Board passed on 19 January 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and 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 three members, namely Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei. 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 three months ended 30 June 2019 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, and that adequate disclosures have been made.

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

Hong Kong, 8 August 2019

As at the date of this announcement, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok, Ms. Wong Wing Hung and Ms. Wang Rui and the independent non-executive Directors are Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei.

This announcement will remain on the “Latest Listed Company Information” page of GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published and remained on the Company’s website at www.harmonyasia.com