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HAO BAI INTERNATIONAL (CAYMAN) LIMITED

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8431)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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 nine months ended 31 December 2020 (the “**Reporting Period**”) as follows. The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2020 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2020

		Three months ended		Nine months ended	
		31 December		31 December	
		2020	2019	2020	2019
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	4,965	7,377	22,176	80,431
Cost of services		<u>(4,681)</u>	<u>(6,930)</u>	<u>(19,926)</u>	<u>(73,093)</u>
Gross Profit		284	447	2,250	7,338
Other income		32	79	1,499	235
Administrative expenses		(3,031)	(4,605)	(15,047)	(13,717)
Finance costs		<u>(744)</u>	<u>(747)</u>	<u>(2,173)</u>	<u>(2,284)</u>
Loss before income tax	4	(3,459)	(4,826)	(13,471)	(8,428)
Income tax expenses	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss and total comprehensive expenses for the period		<u><u>(3,459)</u></u>	<u><u>(4,826)</u></u>	<u><u>(13,471)</u></u>	<u><u>(8,428)</u></u>
Loss per share, basic and diluted (HK cents)	7	<u><u>(0.27)</u></u>	<u><u>(0.37)</u></u>	<u><u>(1.04)</u></u>	<u><u>(0.65)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated (losses) profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the nine months ended					
31 December 2020					
As at 1 April 2020 (audited)	13,000	81,096	(16,790)	(873)	76,433
Loss and total comprehensive expenses for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13,471)</u>	<u>(13,471)</u>
As at 31 December 2020 (unaudited)	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>(14,344)</u>	<u>62,962</u>
For the nine months ended					
31 December 2019					
As at 1 April 2019 (audited)	13,000	81,096	(16,790)	21,034	98,340
Loss and total comprehensive expenses for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,428)</u>	<u>(8,428)</u>
As at 31 December 2019 (unaudited)	<u>13,000</u>	<u>81,096</u>	<u>(16,790)</u>	<u>12,606</u>	<u>89,912</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2020

1. GENERAL

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial information 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.

The unaudited condensed consolidated financial information have been prepared on a basis consistent with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2020. The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the unaudited condensed consolidated financial information.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from management contracting services	<u>4,965</u>	<u>7,377</u>	<u>22,176</u>	<u>80,431</u>

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

4. LOSS BEFORE INCOME TAX

This is stated after charging:

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs and related expenses				
(including directors' remuneration)				
Directors' emoluments (<i>Note (a)</i>)	732	1,023	2,460	3,039
Salaries, allowances and other benefits	2,123	2,633	7,011	9,446
Discretionary Bonus	15	18	41	48
Retirement benefit scheme contributions	84	126	295	375
	<u>2,954</u>	<u>3,800</u>	<u>9,807</u>	<u>12,908</u>
Total staff costs	2,954	3,800	9,807	12,908
Less: Amount included in cost of services	(1,475)	(1,497)	(4,977)	(6,072)
	<u>1,479</u>	<u>2,303</u>	<u>4,830</u>	<u>6,836</u>
Other items				
Auditor's remuneration	120	150	360	450
Contract costs recognised as expenses (<i>Note (b)</i>)	4,681	6,930	19,926	73,093
Depreciation of				
– Property, plant and equipment	44	62	142	189
– Lease assets	19	491	571	1,474
Operating lease payment on premises	467	137	928	430
	<u>467</u>	<u>137</u>	<u>928</u>	<u>430</u>

Notes:

- (a) With effect from 1 April 2020, the executive directors of the Company, Mr. Nam Ho Kwan, Mr. Ng Wan Lok and Ms. Wong Wing Hung, waived 20% of their remuneration for a period of one year. Mr. Tsang Yung Fat, the independent non-executive director of the Company, waived his director fee for the period from 6 April 2020 to 31 March 2021.
- (b) Contract costs included approximately HK\$10,159,000 (for the nine months ended 31 December 2019: approximately HK\$19,627,000) and approximately HK\$4,977,000 (for the nine months ended 31 December 2019: approximately HK\$6,072,000) relating to the consumables and staff cost respectively for the nine months ended 31 December 2020 which are also included in the amounts disclosed separately above.

5. INCOME TAX EXPENSES

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

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during the nine months ended 31 December 2020.

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the nine months ended 31 December 2020: 12%) on the taxable income above Macau Pataca (“MOP”) 600,000.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2020 (for the nine months ended 31 December 2019: nil).

7. LOSS PER SHARE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(3,459)</u>	<u>(4,826)</u>	<u>(13,471)</u>	<u>(8,428)</u>
	Number of shares		Number of shares	
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the nine months ended 31 December 2020 and 2019.

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 Group's net loss increased from approximately HK\$8.4 million for the nine months ended 31 December 2019 to approximately HK\$13.5 million for the nine months ended 31 December 2020. As mentioned in the first quarterly results announcement of the Company dated 7 August 2020 and the interim results announcement of the Company dated 6 November 2020, the increase in net loss was mainly attributable to substantial drop of revenue recorded by the Group in respect of the Reporting Period during which Hong Kong continued to undergo an economic downturn spawned mainly by the persistent outbreak of coronavirus pandemic. Affected by the extremely weak business sentiment in both Hong Kong and Macau, the number of new construction or property development projects in the market had continuously decreased, which led to extreme competition in tendering for new projects for water circulation systems.

Looking forward, given the uncertainty of the duration of the coronavirus pandemic, it is expected that the pandemic may continue to affect the business environment in Hong Kong and Macau in the foreseeable future. The high labour cost and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions due to the coronavirus pandemic between Hong Kong, Macau and the mainland China are amongst the challenges which industry peers have faced. It is expected that the Group will continue to face such intense competition to secure new projects amid the downturn of economy while we use our best efforts to manage the progress and costs of projects to enhance our competitiveness in sourcing projects. Although the Directors remain confident in the long term business outlook of Hong Kong and Macau and also the performance of the Group, the financial results of the Group in particular in the Financial Year 2020/2021 and in the first quarter of the Financial Year 2021/2022 may potentially be affected as a result of the adversities.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connections with various main contractors and property developers in the industry, the Group will continue to explore the opportunities to diversify or expand our businesses in Hong Kong, Macau and mainland China to strive for the continuous growth of the Group. The Directors will also keep close track of the economic environment and the development of the coronavirus pandemic and evaluate its business strategies from time to time to adapt the challenging market for the sustainable development of the Group and grasp any potential business opportunities to enhance the long-term potential growth in the future and generate the best returns to the shareholders.

Financial Review

Revenue

Our total revenue decreased by approximately HK\$58.2 million or 72.4% from approximately HK\$80.4 million for the nine months ended 31 December 2019 to approximately HK\$22.2 million for the nine months ended 31 December 2020.

The substantial drop in our revenue was recorded by the Group in respect of the Reporting Period during which Hong Kong continued to undergo an economic downturn spawned mainly by the outbreak of coronavirus pandemic. Affected by the extremely weak business sentiment, new construction or property development projects in our operating markets decrease drastically leading to a drop to the number of new projects awarded to the Group and a very keen competition that the Group has ever encountered in tendering for new projects for water circulation systems.

Moreover, the decrease in revenue was also due to the completion of certain mega-size projects during the year ended 31 March 2020 and no new mega-size project has been awarded to the Group during the Reporting Period.

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 decreased by approximately HK\$53.1 million or 72.7% from approximately HK\$73.1 million for the nine months ended 31 December 2019 to approximately HK\$20.0 million for the nine months ended 31 December 2020. Such decrease was primarily driven by the decrease in cost of consumables of approximately HK\$9.5 million and the decrease in sub-contracting fees of approximately HK\$41.3 million, which were mainly due to the decrease in revenue as discussed above and as a result, less amount of parts and components were procured for the projects and less labour were required to execute the project work.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$5.1 million or 69.3% from approximately HK\$7.3 million for the nine months ended 31 December 2019 to approximately HK\$2.2 million for the nine months ended 31 December 2020. Such decrease was primarily attributable to the decrease in revenue.

Our gross profit margin increased from approximately 9.1% for the nine months ended 31 December 2019 to approximately 10.1% for the nine months ended 31 December 2020. The increase was mainly because for the nine months ended 31 December 2019, certain works performed under variation orders carried a relatively lower gross profit margin, while for the nine months ended 31 December 2020, there was no such variation orders.

Other income

Our other income increased from approximately HK\$0.2 million for the nine months ended 31 December 2019 to approximately HK\$1.5 million for the nine months ended 31 December 2020, primarily due to the subsidies received from the HKSAR Government under the Employment Support Scheme during the nine months ended 31 December 2020.

Administrative expenses

Our administrative expenses increased by approximately HK\$1.3 million or 9.7% from approximately HK\$13.7 million for the nine months ended 31 December 2019 to approximately HK\$15.0 million for the nine months ended 31 December 2020, primarily due to the recognition of legal costs of approximately HK\$5.3 million incurred in connection with the arbitration award involving the project located at Kennedy Town as mentioned in the first quarterly results announcement of the Company dated 7 August 2020.

If the aforesaid one-off legal cost was excluded, the administrative expenses of the Group in respect of the Reporting Period decreased by approximately HK\$3.9 million or 28.5% from approximately HK\$13.7 million for the nine months ended 31 December 2019 to approximately HK\$9.8 million for the nine months ended 31 December 2020. It signified the continuous efforts made by the Group in controlling the costs incurred in its ordinary business operation.

Finance costs

Our finance costs slightly decreased by approximately HK\$0.1 million or 4.9% from approximately HK\$2.3 million for the nine months ended 31 December 2019 to approximately HK\$2.2 million for the nine months ended 31 December 2020, primarily due to the settlement of certain bank borrowings in December 2020.

Income tax expenses

For the nine months ended 31 December 2020 and 2019, there was no assessable profits in Hong Kong and Macau and as a result, no income tax expense was provided.

Net Loss

As a result of the foregoing, our net loss increased from approximately HK\$8.4 million for the nine months ended 31 December 2019 to approximately HK\$13.5 million for the nine months ended 31 December 2020.

Dividend

No dividend was declared or proposed by the Board for the nine months ended 31 December 2020 and 2019.

Event after the Reporting Period

The Board is not aware of any significant event subsequent to 31 December 2020 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 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the “**Shares**”), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interests	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan (<i>Note</i>)	Interest in controlled corporation	652,290,000	Long position	50.18%

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. These Shares were pledged to Prudential Brokerage Limited on 14 September 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 December 2020, 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 <i>(Note)</i>	652,290,000	Long position	50.18%
Mr. Nam Ho Kwan	Interest in controlled corporation <i>(Note)</i>	652,290,000	Long position	50.18%
Prudential Brokerage Limited	Person having security interest in shares	652,290,000	Long position	50.17%
Ms. Chen Mingxia	Beneficial owner	243,750,000	Long position	18.75%

Note: 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. These Shares were pledged to Prudential Brokerage Limited on 14 September 2020.

Save as disclosed above, as at 31 December 2020, 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 nine months ended 31 December 2020, no share option was granted, exercised, expired or lapsed under the share option scheme adopted by the Company on 12 May 2017 (the “**Share Option Scheme**”).

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the nine months ended 31 December 2020 was the Company or any of its associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

USE OF PROCEEDS FROM LISTING

The Shares were listed on GEM on 26 May 2017 (the “**Listing**”) 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 of the Company dated 16 May 2017. To cope with the increasingly challenging external business environment, the Board resolved to change and re-allocate the uses of the unutilised net proceeds. For more details including the revised use of the unutilised net proceeds and the expected timeline for the use and the reasons and benefits for the said change, please refer to the announcement of the Company dated 18 September 2020.

As at 31 December 2020, the net proceeds had been fully utilised and the Group had applied the net proceeds as follows:

	Amount utilised up to 18 September 2020 <i>HK\$ million</i> <i>(Approximately)</i>	Unutilised net proceeds as at 18 September 2020 <i>HK\$ million</i> <i>(Approximately)</i>	Revised allocation of net proceeds as at 18 September 2020 <i>HK\$ million</i> <i>(Approximately)</i>	Amount utilised from 19 September 2020 to 31 December 2020 <i>HK\$ million</i> <i>(Approximately)</i>	Unutilised net proceeds as at 31 December 2020 <i>HK\$ million</i> <i>(Approximately)</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	–	20.0	20.0
Strengthening of the Group's technical and project management capabilities	3.6	3.6	–	–	–
Establishment of a Macau office/warehouse	2.5	0.2	2.3	–	–
Purchase of tools and equipment	1.6	–	1.6	–	–
General working capital	3.3	3.3	–	2.5	2.5
	<u>38.0</u>	<u>15.5</u>	<u>22.5</u>	<u>22.5</u>	<u>–</u>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the nine months ended 31 December 2020.

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.

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.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associate (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group for the nine months ended 31 December 2020.

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. Chen Lei, Mr. Tsang Yung Fat and Dr. Lam King Sun Frankie. Mr. Tsang Yung Fat is the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2020 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, 4 February 2021

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. Chen Lei, Mr. Tsang Yung Fat and Dr. Lam King Sun Frankie.

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