

The background features a dynamic water splash in shades of blue and white. A large circular inset in the center-right shows a close-up of a water droplet hitting a surface, creating concentric ripples. The text is overlaid on the white and light blue areas of the splash.

INTERIM REPORT  
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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)

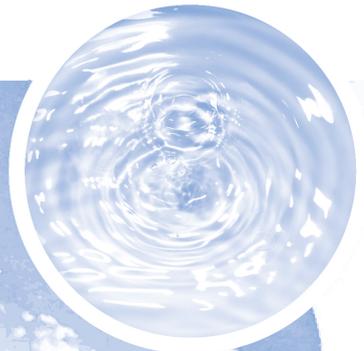
## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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



## INTERIM RESULTS

The board of Directors (the “Board”) of the Company are pleased to announce the unaudited condensed consolidated results of the Group for the three-month and six-month periods ended 30 September 2022 (the “Reporting Period”) as follows. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 have been reviewed by the audit committee of the Company (the “Audit Committee”).

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

For the three and six months ended 30 September 2022

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	6,640	3,651	14,257	5,396
Cost of services		(2,099)	(1,259)	(6,390)	(2,583)
Gross profit		4,541	2,392	7,867	2,813
Other income		–	52	–	76
Administrative expenses		(3,778)	(1,982)	(7,806)	(5,984)
Finance costs		(83)	(106)	(169)	(333)
Profit/(loss) before income tax	4	680	356	(108)	(3,428)
Income tax expense	5	–	–	–	–
Profit/(loss) and total comprehensive expenses for the period		680	356	(108)	(3,428)
Profit/(loss) per share, basic and diluted (HK cents)	7	0.04	0.02	(0.01)	(0.26)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
	NOTES		
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiary		2,600	–
Property, plant and equipment		84	143
Right-of-use assets		193	322
		<u>2,877</u>	<u>465</u>
<b>CURRENT ASSETS</b>			
Contract assets	8	70,398	66,654
Trade and other debtors, deposits and prepayments	9	7,267	5,886
Pledged and restricted bank deposits		228	228
Bank balances and cash		233	107
		<u>78,126</u>	<u>72,875</u>
<b>CURRENT LIABILITIES</b>			
Contract liabilities	8	1,288	1,288
Trade and other creditors and accrued expenses	10	48,175	44,357
Bank borrowings – due within one year	11	8,507	9,181
Lease liabilities		170	293
Income tax payable		–	–
Bank overdrafts – secured		1,653	1,153
		<u>59,793</u>	<u>56,272</u>

		<b>As at 30 September 2022 HK\$'000 (Unaudited)</b>	As at 31 March 2022 HK\$'000 (Audited)
	<i>NOTES</i>		
<b>NET CURRENT ASSETS</b>		<b>18,333</b>	16,603
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>21,210</b>	17,068
<b>NON-CURRENT LIABILITY</b>			
Bank borrowings – due over one year	11	–	–
<b>NET ASSETS</b>		<b>21,210</b>	17,068
<b>CAPITAL AND RESERVES</b>			
Share capital	12	16,170	13,000
Reserves		5,040	4,068
		<b>21,210</b>	17,068

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Reserves				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Accumulated (losses) profit HK\$'000	
<b>For the six months ended 30 September 2022</b>					
As at 1 April 2022 (audited)	13,000	81,096	(16,790)	(60,238)	17,068
Ordinary shares issued (Note 12)	2,600	-	-	-	2,600
Exercise of share options (Note 12)	570	-	-	-	570
Profit and total comprehensive expenses for the period	-	-	-	(108)	(108)
Share-based payments	-	-	1,080	-	1,080
As at 30 September 2022 (unaudited)	<b>16,170</b>	<b>81,096</b>	<b>(15,710)</b>	<b>(60,346)</b>	<b>21,210</b>
<b>For the six months ended 30 September 2021</b>					
As at 1 April 2021 (audited)	13,000	81,096	(16,790)	(29,808)	47,498
Loss and total comprehensive expenses for the period	-	-	-	(3,428)	(3,428)
As at 30 September 2021 (unaudited)	<b>13,000</b>	<b>81,096</b>	<b>(16,790)</b>	<b>(33,236)</b>	<b>44,070</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	<u>1,692</u>	<u>(2,465)</u>
Net cash (used in)/generated from investing activities	<u>(2,600)</u>	<u>13,405</u>
Net cash generated from/(used in) financing activities	<u>534</u>	<u>(8,454)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(374)</u>	<u>2,486</u>
Cash and cash equivalents at the beginning of the period	<u>(1,046)</u>	<u>(7,942)</u>
Cash and cash equivalents at the end of the period	<u>(1,420)</u>	<u>(5,546)</u>
Represented by:		
Bank balances and cash	<u>233</u>	<u>105</u>
Bank overdraft	<u>(1,653)</u>	<u>(5,561)</u>
	<u>(1,420)</u>	<u>(5,456)</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

## 1. General

Hao Bai International (Cayman) Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company consider the Company’s immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is located at Unit 1B, 10/F, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, 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 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

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

The unaudited condensed consolidated financial information has been prepared on a basis consistent with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2022. The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the unaudited condensed consolidated financial information.

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

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

### 3. Revenue and Segment Information

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

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

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Revenue from management contracting services	<b>6,640</b>	3,651	<b>14,257</b>	5,396

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

### 3. Revenue and Segment Information (Continued)

The segment information for the reportable and operating segments for the six months ended 30 September 2022 and 2021 is as follows:

#### For the six months ended 30 September 2022

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

#### For the six months ended 30 September 2021

	Management contracting services HK\$'000 (Unaudited)	Consultancy services HK\$'000 (Unaudited)	Maintenance services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers and segment revenue	5,396	-	-	5,396
Segment profit	2,813	-	-	2,813
Other income				76
Administrative expenses				(5,984)
Finance costs				(333)
Loss before income tax				(3,428)

### 3. Revenue and Segment Information (Continued)

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

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	2,354	3,650	7,542	5,164
Mainland China	4,286	–	6,715	–
Macau	–	1	–	232
	<b>6,640</b>	<b>3,651</b>	<b>14,257</b>	<b>5,396</b>

#### Information about major customers

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

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	2,430	–	6,715	–
Customer B	3,217	27*	5,919	1,068
Customer C and its affiliated companies	486*	395	681*	949
Customer D	229*	638	229*	638
Customer E	–*	462	–*	820

\* Revenue from customer is less than 10% of the total revenue of the Group for the relevant periods.

#### 4. Loss before Income Tax

This is stated after charging:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Staff costs and related expenses (including directors' remuneration)</b>				
Directors' emoluments	791	758	1,432	1,491
Salaries, allowances and other benefits	914	1,202	1,178	2,545
Discretionary Bonus	–	8	–	11
Contributions to defined contribution plans	31	22	50	40
	<u>1,736</u>	<u>1,990</u>	<u>2,660</u>	<u>4,087</u>
Total staff costs	1,736	1,990	2,660	4,087
Less: Amount included in cost of services	–	(433)	(108)	(749)
	<u>1,736</u>	<u>1,557</u>	<u>2,552</u>	<u>3,338</u>
<b>Other items</b>				
Auditor's remuneration	–	–	360	120
Contract costs relating to management contracting services recognised as expenses (Note (a))	987	1,259	1,590	2,583
Depreciation of				
– Property, plant and equipment	30	35	60	68
– Right-of-use asset	64	65	129	192
	<u>64</u>	<u>65</u>	<u>129</u>	<u>192</u>

Note:

- (a) Contract costs included approximately HK\$1,590,000 (for the six months ended 30 September 2021: approximately HK\$600,900) and approximately HK\$108,000 (for the six months ended 30 September 2021: approximately HK\$724,900) relating to the consumables and staff cost respectively for the six months ended 30 September 2022 which are also included in the amounts disclosed separately above.

## 5. Income Tax Expense

	Three months ended 30 September 2022		Six months ended 30 September 2022	
	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong Profits Tax				
Current period	-	-	-	-

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

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during the six months ended 30 September 2022.

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 six months ended 30 September 2021: 12%) on the taxable income above Macau Pataca ("MOP") 600,000.

## 6. Dividends

The directors of the Company did not declare or propose any dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

## 7. Profit/(Loss) per Share

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

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Company, used in basic and diluted profit/(loss) per share calculation	<b>680</b>	356	<b>(108)</b>	(3,428)
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share calculation	<b>1,617,000</b>	1,300,000	<b>1,617,000</b>	1,300,000

Diluted profit/loss per share is the same as the basic profit/loss per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 September 2022 and 2021.

## 8. Contract Assets/Contract Liabilities

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Contract assets and contract liabilities arising from management contracting services as follows:		
Contract assets (including retention receivables) gross amount	<b>70,398</b>	88,832
Less: Written-off of contract assets (Note (i))	–	(9,632)
Loss allowance of contract assets (Note (ii))	–	(12,546)
	<b>70,398</b>	66,654
Contract liabilities	<b>(1,288)</b>	(1,288)

### Notes:

- (i) At 30 September 2022, the Group did not write-off any (31 March 2022: HK\$9,632,000) contract assets (including retention receivables) on certain projects that the Group has completed the works under the construction contracts for at least four years in which it has no reasonable expectations of recovering the contractual cash flows and no realistic prospect of recovery. The Group will consider whether further write off of contract assets is required at year end.
- (ii) At 30 September 2022, following the assessment of individual balances based on the Group's historical default experiences and the individual characteristics of each customer including but not limited to the aging profile and financial position together with other forward looking factors, the Group did not provide any loss allowance (31 March 2022: HK\$12,546,000) on contract assets. The Group will consider whether further loss allowance of contract assets is required at year end.

## 8. Contract Assets/Contract Liabilities (Continued)

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

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
<b>Contract assets</b>		
At beginning of the year	<b>66,654</b>	85,354
Transferred to trade debtors	<b>3,744</b>	–
Recognition of revenue	–	3,478
Written-off	–	(9,632)
Loss allowance	–	(12,546)
At end of the year	<b>70,398</b>	66,654
<b>Contract liabilities</b>		
At beginning of the year	<b>(1,288)</b>	(3,138)
Recognition of revenue	–	1,850
At end of the year	<b>(1,288)</b>	(1,288)

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

## 8. Contract Assets/Contract Liabilities (Continued)

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

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
On demand or within one year	–	–
After one year	<b>6,997</b>	6,997
	<b>6,997</b>	6,997

## 9. Trade and Other Debtors, Deposits and Prepayments

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Trade debtors ( <i>Note a</i> )	<b>6,514</b>	5,395
Pledged deposits to an insurance company ( <i>Note b</i> )	<b>158</b>	158
Other debtors, deposits and prepayments	<b>595</b>	333
	<b>7,267</b>	5,886

## 9. Trade and Other Debtors, Deposits and Prepayments (Continued)

Notes:

- a. 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. The ageing analysis of trade debtors based on invoice date at the end of the Reporting Period is as follows:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Within 30 days	<b>4,642</b>	1,495
31 to 60 days	<b>158</b>	–
Over 60 days	<b>1,714</b>	3,900
	<b>6,514</b>	5,395

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

- b. Pledged deposits of HK\$158,000 (31 March 2022: HK\$158,000) to an insurance company is the security for issuance of performance bonds in respect of construction contracts with prevailing market rates at 0.2% (31 March 2022: 0.2%) per annum.

## 10. Trade and Other Creditors and Accrued Expenses

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade creditors (Note a)	6,842	13,681
Salary payables	5,963	4,858
Other creditors and accrued expenses	33,379	20,785
Amount due to a director (Note b)	1,991	5,033
	<b>48,175</b>	<b>44,357</b>

Notes:

- a. The ageing analysis of trade creditors presented based on the invoice date at the end of the Reporting Period is as follows:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 365 days	–	–
Over 365 days	6,842	13,681
	<b>6,842</b>	<b>13,681</b>

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

## 11. Bank Borrowings

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Bank borrowings, secured	2,909	3,275
Bank borrowings, unsecured	5,598	5,906
	<b>8,507</b>	<b>9,181</b>

## 11. Bank Borrowings (Continued)

The bank borrowings are repayable as follows:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
On demand or within one year	<b>8,507</b>	9,181
Less: Amount due within one year shown under current liabilities	<b>(8,507)</b>	(9,181)
Amount due after one year shown under non-current liabilities	–	–

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

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Within one year	<b>1,435</b>	2,533
Within a period of more than one year but not exceeding two years	<b>745</b>	1,517
Within a period of more than two years but not exceeding five years	<b>4,118</b>	3,311
Over five years	<b>2,209</b>	1,820
	<b>8,507</b>	9,181

## 12. Share Capital

The share capital of the Group as at 30 September 2022 and 31 March 2022 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 September 2022		As at 31 March 2022	
	Number of shares (Unaudited)	Nominal Value HK\$'000 (Unaudited)	Number of shares (Audited)	Nominal Value HK\$'000 (Audited)
<b>Authorised</b>				
Ordinary share of HK\$0.01 each As at 1 April	<b>2,000,000,000</b>	<b>20,000</b>	2,000,000,000	20,000
<b>Issued and fully paid</b>				
At 1 April	<b>1,300,000,000</b>	<b>13,000</b>	1,300,000,000	13,000
Ordinary shares issued ( <i>Note 1</i> )	<b>260,000,000</b>	<b>2,600</b>	–	–
Exercise of share options ( <i>Note 2</i> )	<b>57,000,000</b>	<b>570</b>	–	–
	<b>1,617,000,000</b>	<b>16,170</b>	1,300,000,000	13,000

*Note 1:* On 11 April 2022, 260,000,000 new shares of the Company were allotted and issued pursuant to the announcement of the Company dated 11 April 2022.

*Note 2:* 130,000,000 share options were granted on 27 April 2022. 57,000,000 of share options were exercised on 13 July 2022 with an exercise price of HK\$0.034 per share.

## 13. Performance Bonds

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	<b>226</b>	691

### 13. Performance Bonds (Continued)

Certain customers require the Group to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit to such bank or insurance company. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. The Group will then become liable to compensate the bank or insurance company accordingly. During the six months ended 30 September 2022 and 2021, no customers called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

### 14. 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:

	<b>30 September 2022</b>	31 March 2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Pledged and restricted bank deposits	<b>228</b>	228

### 15. Related Parties Transactions

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

#### *Key management personnel remuneration*

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and other benefits	<b>700</b>	654	<b>1,341</b>	1,284
Directors' allowances	–	90	–	180
Contributions to defined contribution plans	<b>14</b>	14	<b>27</b>	27
	<b>714</b>	758	<b>1,368</b>	1,491

## 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.

The outlook for the next 6 months is going to be challenging for the Group. Despite the impact the pandemic has had on the industry, the situation in Hong Kong has improved recently. The Board believes that the existing policies and systems developed by the newly elected HKSAR government is more than equipped to deal with any future and potential outbreaks of the virus within the community and is optimistic for the future of the industry and for Hong Kong.

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

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

The Group has continued to see the positive results of doing business in Mainland China while it intends to expand its business operations into the Greater Bay Area (GBA) while continuing to participate in the tendering process with various construction or property development companies in Hong Kong. The Company's management team will spend more time in the GBA to proactively target certain companies for joint venture, business collaboration and investment opportunities.

The Group forecasts to have approximately HK\$25 million of revenue recognised within the next 18 months based on the 4 current management contracting projects. Furthermore, we will explore funding sources to enhance the financial position of the Company. The Group will continue, in the best interests of the Company and the Shareholders as a whole, endeavor fund-raising alternatives to strengthen the capital base and support the continuing growth of the Company.

The Directors will also evaluate its business strategies on a regular basis while any potential business opportunities will be discussed and reviewed internally. Business decisions are made in the view of improving the Group's long term potential growth while we will continue to leverage our network to enhance our financial positions for our shareholders and stakeholders.

Overall, the Board considers that the Company has a viable and sustainable business with a sufficient level of operations and assets to support its operations to meet requirement of the GEM Listing Rules.

## **Financial Review**

### ***Revenue***

Our total revenue increased by approximately HK\$8.9 million or 264.2% from approximately HK\$5.4 million for the six months ended 30 September 2021 to approximately HK\$14.3 million for the six months ended 30 September 2022.

Even though the Group's business in Hong Kong has remained stable, substantial increase in our revenue was mainly due to our investments and businesses in Mainland China for the six months ended 30 September 2022. The Group expects its revenue generated from Mainland China will continue to flourish.

### ***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\$3.8 million or 247.4% from approximately HK\$2.6 million for the six months ended 30 September 2021 to approximately HK\$6.4 million for the six months ended 30 September 2022. Such increase was due to our new business involvement in Mainland China for the past six months.

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

Our gross profit increased by approximately HK\$5.1 million or 279.7% from approximately HK\$2.8 million for the six months ended 30 September 2021 to approximately HK\$7.9 million for the six months ended 30 September 2022. Such increase is in line with our increase in both revenue and cost of sales for the past 6 months.

Our gross profit margin increased from approximately 52.1% for the six months ended 30 September 2021 to approximately 55.2% for the six months ended 30 September 2022. The increase was mainly due to senior management's additional focus on cost savings for the six months ended 30 September 2022.

### ***Other income***

Our other income decreased from approximately HK\$0.1 million for the six months ended 30 September 2021 to Nil for the six months ended 30 September 2022.

### ***Administrative expenses***

Our administrative expenses increased by approximately HK\$1.8 million or 130% from approximately HK\$6.0 million for the six months ended 30 September 2021 to approximately HK\$7.8 million for the six months ended 30 September 2022.

### ***Finance costs***

Our finance costs decreased by approximately HK\$0.2 million or 49.2% from approximately HK\$0.3 million for the six months ended 30 September 2021 to approximately HK\$0.2 million for the six months ended 30 September 2022, primarily due to reduction in the average level of bank borrowings during the Reporting Period.

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

For the six months ended 30 September 2022 and 2021, there was no assessable profits in Hong Kong and Macau and as a result, no income tax expenses were provided for.

### ***Net loss***

As a result of the foregoing, our net loss decreased from approximately HK\$3.4 million for the six months ended 30 September 2021 to approximately HK\$0.1 million for the six months ended 30 September 2022 while the Group has made a net profit of HK\$0.7 million for the three months ended 30 September 2022.

## **Dividends**

No dividend was declared or proposed by the Board for the six months ended 30 September 2022 and 2021.

## **Events after the Reporting Period**

The Board is not aware of any significant events subsequent to 30 September 2022 which would materially affect the Group's operating and financial performance. It should be noted that there were some changes in the composition of the Company's Board and please refer to the Company's announcements dated 5 October 2022 and 14 October 2022 for further details.

## **Liquidity, financial resources and funding**

As at 30 September 2022, the Group had total assets of approximately HK\$81.0 million (31 March 2022: approximately HK\$73.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$59.8 million (31 March 2022: approximately HK\$56.3 million) and approximately HK\$21.2 million (31 March 2022: approximately HK\$17.1 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2022 were approximately HK\$10.2 million (31 March 2022: approximately HK\$10.3 million), and current ratio as at 30 September 2022 was approximately 1.3 times (31 March 2022: approximately 1.3 times).

The Group's borrowings and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the Reporting Period.

The Group's gearing ratio, which is calculated by total borrowings and bank overdrafts divided by total equity, reduced from approximately 60.5%% as at 31 March 2022 to approximately 47.9% as at 30 September 2022, primarily due to the increase in total equity while bank borrowings have remained stable during the Reporting Period.

### **Capital structure**

The shares of the Company (the “Shares”) were successfully listed on GEM of the Stock Exchange on 26 May 2017 (the “Listing”). Immediately upon the Listing, the total issued share capital of the Company was HK\$13,000,000 divided into 1,300,000,000 Shares of par value of HK\$0.01 each. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2022, the Company’s issued share capital was HK\$16,170,000 (31 March 2022: HK\$13,000,000) divided into 1,617,000,000 ordinary Shares of par value of HK\$0.01 each (31 March 2022: 1,300,000,000 of HK\$0.01 each).

### **Capital commitments**

As at 30 September 2022 and 31 March 2022, the Group did not have any capital commitments contracted but not provided for.

### **Segmental information**

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

### **Future plans for material investments and capital assets**

As at 30 September 2022, 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 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies except for the two discloseable transactions in relation to acquisitions of equity interest in the target companies. Please refer to the Company’s announcements dated 29 April 2022 and 11 April 2022 for further details.

### **Contingent liabilities**

Save as disclosed in note 13 of the notes to the unaudited condensed consolidated financial information, as at 30 September 2022 and 31 March 2022, the Group did not have other material contingent liabilities.

### **Foreign currency exposure**

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

### **Pledge of assets**

Save as disclosed in note 14 of notes to the unaudited condensed consolidated financial information, as at 30 September 2022 and 31 March 2022, the Group did not have other pledge of assets.

### **Employees and remuneration policies**

As at 30 September 2022, the Group employed a total of 8 employees (31 March 2022: 11 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$2.7 million for the six months ended 30 September 2022 (for the six months ended 30 September 2021: approximately HK\$4.1 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

## DISCLOSURE OF INTERESTS

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

As at 30 September 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in 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 (Note)	Interest in controlled corporation	652,290,000	Long position	40.34%

*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 one of the controlling shareholders of the Company and these Shares were pledged to Prudential Brokerage Limited on 14 September 2020.

The Company received a notice letter dated 29 September 2022 prepared by Alvarez & Marsal Asia Limited ("Alvarez & Marsal"), the liquidators of Harmony Asia International, which is the beneficial owner of 652,290,000 Shares in the Company ("Shares"). Alvarez & Marsal explained that Harmony Asia International deposited 636,630,000 Shares with Prudential Brokerage Limited as "Security" for financial facilities provided to Harmony Asia International. Alvarez & Marsal is in the process of collating documents and information to ascertain Harmony Asia International's position on the Security.

Save as disclosed above, as at 30 September 2022, 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 of the Company**

So far as the Directors are aware, as at 30 September 2022, 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.

<b>Name of Shareholder</b>	<b>Capacity/ Nature of Interests</b>	<b>Number of the Shares held/ interested in</b>	<b>Long/short position</b>	<b>Percentage of Shareholding</b>
Harmony Asia International	Beneficial owner <i>(Note)</i>	652,290,000	Long position	40.34%
Mr. Nam Ho Kwan	Interest in controlled corporation <i>(Note)</i>	652,290,000	Long position	40.34%
Prudential Brokerage Limited	Person having security interest in shares	652,290,000	Long position	40.34%
Mr. Sung Chenglei	Beneficial owner	260,000,000	Long position	16.08%
Ms. Chen Mingxia	Beneficial owner	243,750,000	Long position	15.07%

*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 30 September 2022, no person/entities had notified the Company of an interest or short position in the Shares, underlying Shares or debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SHARE OPTION SCHEME

The Share Option Scheme became effective on the date of the Company's listing (i.e. 26 May 2017) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 130,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme.

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

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

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

## SHARE OPTIONS

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Pursuant to Rule 23.07 of the GEM Listing Rules, particulars and movements of shares options under the Share Option Scheme during the six-month period ended 30 September 2022 are set out as follows:

Category/ Name of Grantee	Date of Grant	Exercise Date/ Period	Exercise Price per Share	Number of share options				
				Outstanding as at 1 April 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2022
<b>(1) Directors</b>								
WONG Wing Hung	27 April 2022	Note 1	HK\$0.034	-	6,500,000	-	-	6,500,000
NG Wan Lok	27 April 2022	Note 1	HK\$0.034	-	6,500,000	-	-	6,500,000
Sub-total				-	13,000,000	-	-	13,000,000
<b>(2) Employees – In aggregate</b>								
Employees	27 April 2022	Note 1	HK\$0.034	-	21,000,000	(6,000,000)	-	15,000,000
Sub-total				-	21,000,000	(6,000,000)	-	15,000,000
<b>(3) Consultants</b>								
SO Siu Ngan, Amy	27 April 2022	Note 1	HK\$0.034	-	15,000,000	(15,000,000)	-	-
WANG KUN	27 April 2022	Note 1	HK\$0.034	-	15,000,000	(15,000,000)	-	-
YANG Qing	27 April 2022	Note 1	HK\$0.034	-	15,000,000	(15,000,000)	-	-
LIANG Yukun	27 April 2022	Note 1	HK\$0.034	-	3,000,000	(3,000,000)	-	-
YUEN Chun Hung	27 April 2022	Note 1	HK\$0.034	-	3,000,000	(3,000,000)	-	-
HO Kai Cheung Derek	27 April 2022	Note 1	HK\$0.034	-	27,000,000	-	-	27,000,000
LEE Thomson	27 April 2022	Note 1	HK\$0.034	-	13,000,000	-	-	13,000,000
LEE Kun Yin	27 April 2022	Note 1	HK\$0.034	-	5,000,000	-	-	5,000,000
Sub-total				-	96,000,000	(51,000,000)	-	45,000,000
<b>Total</b>				<b>-</b>	<b>130,000,000</b>	<b>(57,000,000)</b>	<b>-</b>	<b>73,000,000</b>

Note:

- Subject to fulfillment of the pre-determined vesting conditions, the share options shall be vested and exercisable from 27 April 2022 to 27 April 2032.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the Share Option Scheme, at no time during the six months ended 30 September 2022 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 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. 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 reasons and benefits for the said change, please refer to the announcement of the Company dated 18 September 2020 (the "Announcement"). As at 30 September 2022, the Group had fully utilised the net proceeds from the Listing.

## **PRINCIPAL RISK AND UNCERTAINTIES**

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. Other than the potential impact of the coronavirus pandemic on the local and global economy and the operation and financial performance of the Group as mentioned under the paragraph headed "Management Discussion and Analysis – Business Review and Outlook" above, the management considers that the following are the principal risks and uncertainties faced by the Group:

- (a) The Group's business is project-based. The Group mainly derive revenue from projects which are non-recurring in nature. Fee collection and profit margin significantly depend on various factors of each project such as the terms of contracts, duration of project, variation orders, efficiency of implementation of contract work and the general market condition. In general, variation orders usually carry higher profit margin as compared with the works under original contracts. Therefore, revenue generated from the Group's business is irregular and is subject to the availability of projects, variation orders and other factors beyond the Group's control;

- (b) The number and size of the projects the Group can undertake depends on the Group's human and other resources. Due to the size of the Group, a mega-sized project will occupy a substantial part of the Group's resources and inevitably resulted in the Group not being able to deploy resources to other projects and as a result the Group have to rely on a single project or otherwise a small number of projects during the project period. Any decrease in the number of sizable projects in terms of revenue recognised may affect the Group's operations and financial results;
- (c) For the Group's management contracting business, the Group normally receives progress payments from the customers with reference to the percentage of completion of the contract works done by the Group during the relevant month in accordance with the rates and prices based on the agreed tender price. Any failure by the customers to make any payment on time or in full may have a material adverse effect on the Group's liquidity position. Any failure by the customers to eventually pay the amount to the Group may have a material adverse effect on the Group's financial position and operating results; and
- (d) Most of the Group's contracts are awarded to the Group through tendering process. The Group has to determine the tender price and service fee of each project based on the information available to the Group at the time of submitting the tender. The tender price is determined by factors including the scope of works, the estimated duration of the project period, the total time cost and estimated cost involved. The Group determines the price of all the projects at fixed costs based on an agreed scope of works and the estimation of time cost and estimated cost involved. Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2022.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

## **CHANGES IN DIRECTORS' INFORMATION**

The change in director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the 2021/22 Annual Report of the Company, is set out below:

Mr. Nam Ho Kwan resigned as an executive director and chief executive officer of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 5 October 2022.

Ms. Wong Wing Hung was appointed to fill the casual vacancy as a result of the resignation of Mr. Nam Ho Kwan as the chief executive officer of the Company, the chairman of the Board, the chairman of the Nomination Committee, the Exchange authorised representative and the agent for service of process in Hong Kong with effect from 5 October 2022.

Mr. Wang Lun was appointed as an executive Director of the Company with effect from 14 October 2022.

Ms. Chen Xiaodan was appointed as a non-executive Director of the Company with effect from 14 October 2022.

## **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 provisions mentioned below.

Pursuant paragraph C.2.1 of the CG Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the roles of the chairman and chief executive officer have both been performed by Ms. Wong Wing Hung (“Ms. Wong”) since 5 October 2022, after the resignation of Mr. Nam Ho Kwan. Ms. Wong is responsible for formulating the overall business development strategy and planning of the Group. As Ms. Wong has very strong understanding of the Group’s overall businesses and has been part of the senior management team since its inception, the Board believes that it is in the best interest of the Group to have Ms. Wong 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 six months ended 30 September 2022.

## **AUDIT COMMITTEE**

The Group has established an Audit Committee pursuant to a resolution of the Board passed on 19 January 2017 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph D.3.3 and D.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or re-appointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of the Group.

The Audit Committee consists of three independent non-executive Directors being Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi. Mr. Ng Kam Tsun serves as the chairman of the Audit Committee.

The unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 has been reviewed by the Audit Committee, which was of the opinion that the unaudited condensed consolidated results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

## **OUTLOOK**

The first half of 2022 has continued to be a difficult period for the Group. Although business environments have been challenging, we will continue to focus and consolidate our operations in Hong Kong while extending our businesses into Mainland China at the same time.

While we are optimistic about our business model and strategies, the Group will continue to explore any potential profitable business and investment opportunities in both Hong Kong and Mainland China, as well as new growth potentials, with the ultimate aim to generate and maximise shareholders' value and return and maintain sustainable growth and prosperity.

Overall, I would like to take this opportunity to thank our business partners, suppliers and staff for their generous support and assistance in the past 6 months.

By order of the Board

**Hao Bai International (Cayman) Limited**  
**Wong Wing Hung**

*Chairman and Chief Executive Officer*

Hong Kong, 14 November 2022

*As at the date of this report, the executive Directors are Ms. Wong Wing Hung, Mr. Ng Wan Lok, Mr. Wang Xinliang and Mr. Wang Lun; the non-executive Director is Ms. Chen Xiaodan; and the independent non-executive Directors are Mr. Ng Kam Tsun, Mr. Ma Meng and Mr. Li Ruyi.*