

Hao Bai International (Cayman) Limited

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)



THIRD QUARTERLY REPORT

2018

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

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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.



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 2018 (the “Reporting Period”) as follows. The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2018 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 2018

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	35,304	31,918	98,988	89,224
Cost of services		(29,021)	(25,677)	(78,882)	(71,456)
Gross Profit		6,283	6,241	20,106	17,768
Other income		109	31	192	36
Administrative expenses		(5,073)	(3,874)	(14,939)	(11,367)
Other expenses		-	-	-	(4,373)
Finance costs		(674)	(361)	(1,909)	(910)
Profit before tax		645	2,037	3,450	1,154
Income tax expense	5	(100)	(300)	(450)	(500)
Profit and total comprehensive income for the period	4	545	1,737	3,000	654
Earnings per share					
Basic (HK cents)	7	0.04	0.13	0.23	0.05

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	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 nine months ended 31 December 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	-	-	-	3,000	3,000
As at 31 December 2018 (unaudited)	13,000	81,096	(16,790)	21,052	98,358
For the nine months ended 31 December 2017					
As at 1 April 2017 (audited)	-	37,344	(16,790)	15,069	35,623
Profit and total comprehensive income for the period	-	-	-	654	654
Capitalisation issue of shares	9,750	(9,750)	-	-	-
Issue of shares by public offering	3,250	61,750	-	-	65,000
Share issuance expenses	-	(8,248)	-	-	(8,248)
As at 31 December 2017 (unaudited)	13,000	81,096	(16,790)	15,723	93,029

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2018

1. General

Hao Bai International (Cayman) Limited (the “Company”) is a company with limited liability incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at 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 principal activities of its major subsidiaries are provision of design, procurement and installation services of water circulation systems.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2018 except as described below.

HKFRS 15 Revenue From Contracts With Customers

The Group has applied HKFRS 15 for the first time in the current reporting period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

2. Basis of Preparation (continued)

HKFRS 15 Revenue From Contracts With Customers (continued)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) for the customer.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets recognised were previously presented as amounts due from customers for contract works.
- Contract liabilities recognised were previously presented as amounts due to customers for contract works.

Accounting for revenue recognition of management contracting services

The adoption of HKFRS 15 has no significant impact on the revenue recognition policies of rendering of management contracting services.

2. Basis of Preparation (continued)

HKFRS 9 Financial Instruments

Impairment

In general, the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions.

Based on the assessment by the directors of the Company, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would have no significant difference as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other debtors.

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

The unaudited condensed consolidated financial statements for the Reporting Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

3. Revenue and Segment Information

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

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

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

3. Revenue and Segment Information (continued)

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue from management contracting services	35,304	31,900	96,252	89,170
Revenue from consultancy services	–	–	2,700	–
Revenue from maintenance services	–	18	36	54
	35,304	31,918	98,988	89,224

4. Profit for the Period

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging:				
Auditor's remuneration	175	175	525	525
Depreciation of property, plant and equipment	172	165	492	511
Amortisation of payment for a life insurance policy	3	3	8	9
Operating lease rentals	562	451	1,593	1,349
Staff costs				
Directors' emoluments	1,488	975	4,486	2,985
Other staff costs:				
Salaries, discretionary bonus and other benefits	2,990	2,652	8,207	7,007
Retirement benefit scheme contributions	130	92	395	235
Total staff costs	4,608	3,719	13,088	10,227
Less: Amount capitalised in respect of contracts in progress	(2,486)	(1,888)	(7,198)	(4,910)
	2,122	1,831	5,890	5,317
Contract costs recognised as expenses	29,021	25,670	77,496	71,432

5. Income Tax Expense

	Three months ended 31 December 2018		Nine months ended 31 December 2018	
	HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong Profits Tax	27	192	230	392
Macau tax Current tax	73	108	220	108
	100	300	450	500

For the nine months ended 31 December 2018, one of the Hong Kong subsidiaries of the Group is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of the assessable profits and 16.5% for the assessable profits over HK\$2 million, the other Hong Kong subsidiaries of the Group are subject to Hong Kong Profits Tax at the rate of 16.5%.

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

6. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: nil).

7. Earnings Per Share

The calculation of the basic earnings per share of the Company (the "Share(s)") during the period is based on the number of Shares that would have been outstanding for the Reporting Period assuming that the capitalisation issue of Shares and issue of Shares by public offering as explained in the sections headed "History, Reorganisation and Corporate Structure" and "Share Capital" respectively in the prospectus of the Company dated 16 May 2017 (the "Prospectus") had been effective on 1 April 2017.

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings:				
Profit for the purpose of calculating earnings per Share	545	1,737	3,000	654
	Number of shares '000		Number of shares '000	
Number of Shares				
Weighted average number of ordinary Shares for the purpose of basic earnings per Share	1,300,000	1,300,000	1,300,000	1,235,000

No diluted earnings per Share was presented as there was no dilutive potential ordinary share in issue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

During the Reporting Period, the Company continued to observe the challenging business environment complied with the general adjustment in the property market in Hong Kong. Hong Kong's open economy left it exposed to the global market volatility and economic slowdown. The overall recovery of gaming and gambling industry in Macau was stagnating. 2019 is expected to be challenging. Having said that, the Company still believes that with its proven track record, experienced management team and reputation in the market, it is well positioned to compete against its competitors and sustain its development amid the economic slowdown. The Directors will continue to 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.

Financial Review

Revenue

Our total revenue increased by approximately HK\$9.8 million or 10.9% from approximately HK\$89.2 million for the nine months ended 31 December 2017 to approximately HK\$99.0 million for the nine months ended 31 December 2018. 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\$7.1 million or 7.9%, from approximately HK\$89.2 million for the nine months ended 31 December 2017 to approximately HK\$96.3 million for the nine months ended 31 December 2018. Such increase was primarily derived from increase in revenue from projects located at Tai Po and Southern District of approximately HK\$35.3 million, while such increase was partially offset by the decrease in revenue from projects located at Tseung Kwan O and Western District of approximately HK\$29.0 million for the nine months ended 31 December 2018 when compared with the corresponding period in 2017; and
- (ii) the recognition of the revenue derived from consultancy services for approximately HK\$2.7 million for the nine months ended 31 December 2018 when compared to the absence of revenue from such segment for the corresponding period in 2017.

Cost of services

The Group's cost of services mainly consists of (i) consumables; (ii) sub-contracting fees; (iii) staff costs; (iv) consulting fees; (v) labour cost; and (vi) other expenses.

Our cost of services increased by approximately HK\$7.4 million or 10.4% from approximately HK\$71.5 million for the nine months ended 31 December 2017 to approximately HK\$78.9 million for the nine months ended 31 December 2018, such increase was primarily driven by the increase in cost of sub-contracting fees of approximately HK\$9.7 million, which was partially offset by the decrease in consumables costs of approximately HK\$3.2 million for the nine months ended 31 December 2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$2.3 million or 13.2% from approximately HK\$17.8 million for the nine months ended 31 December 2017 to approximately HK\$20.1 million for the nine months ended 31 December 2018. Such increase was primarily attributable to the increase in gross profit for management contracting services of approximately HK\$1.0 million and the increase in gross profit for consultancy services of approximately HK\$1.3 million.

Our gross profit margin increased from approximately 19.9% for the nine months ended 31 December 2017 to approximately 20.3% for the nine months ended 31 December 2018. Such increase was mainly due to the high gross profit margin contributed by the consultancy services segment during the nine months ended 31 December 2018 while there was no revenue from such segment for the corresponding period in 2017.

Other income

Our other income increased from approximately HK\$36,000 for the nine months ended 31 December 2017 to approximately HK\$192,000 for the nine months ended 31 December 2018, primarily due to the increase in bank interest income from time deposits.

Administrative expenses

Our administrative expenses increased by approximately HK\$3.5 million or 31.4% from approximately HK\$11.4 million for the nine months ended 31 December 2017 to approximately HK\$14.9 million for the nine months ended 31 December 2018. Such increase was primarily due to the increase in (i) post listing expenses such as Directors' fee and the legal and professional fees for compliance purpose following the listing of shares of the Company (the "Shares") on GEM (the "Listing") in May 2017; (ii) the bank handling charge for the renewal of banking facility; and (iii) staff cost as a result of the recruitment of additional staff for the nine months ended 31 December 2018.

Listing expenses

During the nine months ended 31 December 2017, our Group recognised non-recurring listing expenses of approximately HK\$4.4 million as expenses in connection with the Listing.

Finance costs

Our finance costs increased by approximately HK\$1.0 million or 109.8% from approximately HK\$0.9 million for the nine months ended 31 December 2017 to approximately HK\$1.9 million for the nine months ended 31 December 2018, primarily due to the increase in the level of bank borrowings.

Income tax expense

Our income tax expense decreased by approximately HK\$50,000 or 10.0% from approximately HK\$500,000 for the nine months ended 31 December 2017 to approximately HK\$450,000 for the nine months ended 31 December 2018. Such decrease was primarily driven by the decrease in Hong Kong Profits Tax of HK\$162,000, which was partially offset by the increase in Macau profit tax as a result of the increase in profit before tax recorded for our Macau operation.

Net profit

As a result of the foregoing, our net profit increased from approximately HK\$0.7 million for the nine months ended 31 December 2017 to approximately HK\$3.0 million for the nine months ended 31 December 2018.

If the non-recurring listing expenses charged to the profit or loss for the corresponding period in 2017 was excluded, our adjusted net profit decreased from approximately HK\$5.0 million for the nine months ended 31 December 2017 to approximately HK\$3.0 million for the nine months ended 31 December 2018, primarily due to the increase in administrative expense and finance costs as mentioned above.

Dividend

No dividend was declared or proposed by the Board for the nine months ended 31 December 2018 and for the nine months ended 31 December 2017.

Event after the Reporting Period

There is no significant event subsequent to 31 December 2018 which would materially affect the Group's operating and financial performance.

DISCLOSURE OF INTERESTS

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Nam Ho Kwan (<i>Note</i>)	Interest in controlled corporation	731,250,000	Long position	56.25%

Note: Mr. Nam owns the entire issued share capital of Harmony Asia International Limited ("Harmony Asia International") and is deemed, or taken to be, interested in the same number of 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 31 December 2018, none of the Directors nor chief executive of the Company has registered an interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2018, 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	243,750,000 (Note 2)	Long position	18.75%
Morgan Star Investment Limited	Beneficial owner	109,590,000 (Note 2)	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 31 December 2018, 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 2018, 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 2018 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 net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK\$38.0 million would be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

As at 31 December 2018, the net proceeds had been utilised as follows:

	Actual	Amount utilised as at	
	net proceeds	31 December	Balance
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Strengthening of the Group’s industry position and expansion of business	19.4	0.8	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>

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 2018.

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 to all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Reporting Period.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 2018, except for (i) the participation of CLC International Limited ("CLC") as the sponsor in relation to the Listing; (ii) the compliance adviser agreement entered into between the Company and CLC dated 26 January 2017; and (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017, neither CLC nor any of its directors, employees or its close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

During the Reporting Period, the Company has adopted and complied with, where applicable, the Corporate Governance Code (“CG Code”) set out in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision-making processes are regulated in a proper and prudent manner, except for code provision A.2.1 of the CG Code.

Pursuant to the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Nam Ho Kwan is currently the Chairman of the Board and the Chief Executive Officer, responsible for formulating the overall business development strategy and planning of the Group. In view of that, Mr. Nam has been responsible for the overall management of the Group since its inception, the Board believes that it is in the best interest of the Group to have Mr. Nam taking up both roles for effective management and business development.

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

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 2018.

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 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 nine months ended 31 December 2018 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, 11 February 2019

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