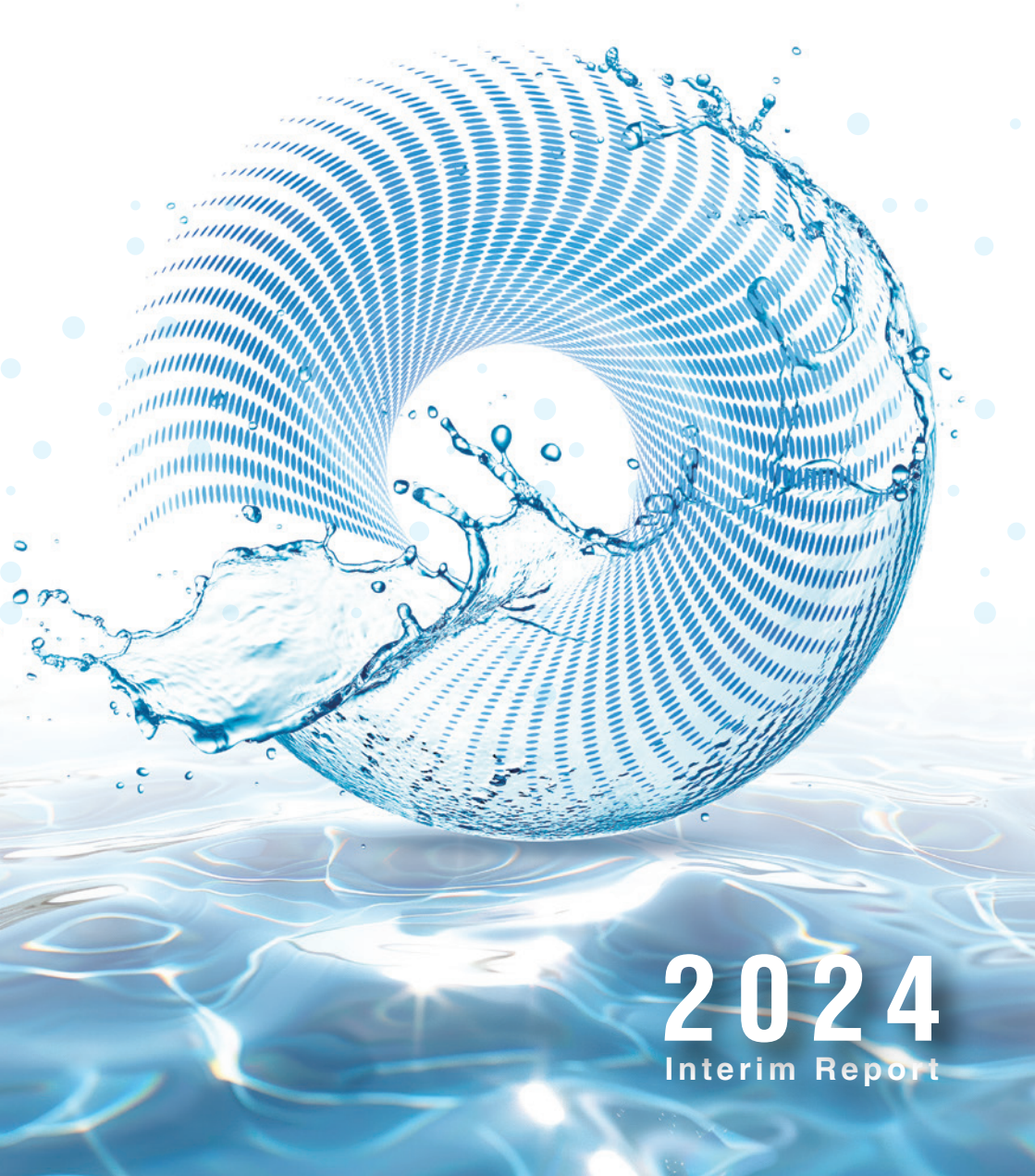


Hao Bai International (Cayman) Limited

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)



2024
Interim Report

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2024 (the “Reporting Period”) as follow.

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

For the three months and six months ended 30 September 2024

	NOTES	Three months ended 30 September		Six months ended 30 September	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	3,878	6,066	7,219	13,019
Cost of services		(1,876)	(5,845)	(4,116)	(11,379)
Gross profit		2,002	221	3,103	1,640
Other income and losses, net		–	–	–	1,859
Administrative expenses		(2,346)	(12,170)	(8,246)	(13,857)
Finance costs		(31)	(75)	(67)	(126)
Loss before tax	4	(375)	(12,024)	(5,210)	(10,484)
Income tax expense	5	–	–	–	–
Loss for the period		(375)	(12,024)	(5,210)	(10,484)
Other comprehensive income		–	–	–	–
Total comprehensive expenses for the period		(375)	(12,024)	(5,210)	(10,484)

		Three months ended		Six months ended	
		30 September		30 September	
		2024	2023	2024	2023
NOTES		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to:					
	– Owners of the Company	(375)	(12,221)	(5,210)	(10,755)
	– Non-controlling interests	–	197	–	271
		(375)	(12,024)	(5,210)	(10,484)
Total comprehensive expense for the period attributable to:					
	– Owners of the Company	(375)	(12,221)	(5,210)	(10,755)
	– Non-controlling interests	–	197	–	271
		(375)	(12,024)	(5,210)	(10,484)
Loss per share					
	Basic (HK cents)	7	(0.41)	(0.15)	(0.36)
	Diluted (HK cents)	7	–	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024	As at 31 March 2024
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3	3
Right-of-use assets		2,091	2,414
Goodwill		2,739	2,739
Equity investment at fair value through other comprehensive income		2,700	2,700
		7,533	7,856
CURRENT ASSETS			
Contract assets	9	68,594	63,550
Trade and other receivables, deposits and prepayments	10	30,085	29,981
Contingent consideration receivable	8	5,611	5,611
Bank balances and cash		221	170
		104,511	99,312
TOTAL ASSETS		112,044	107,168
CURRENT LIABILITIES			
Contract liabilities	9	15,053	15,053
Trade and other payables and accruals	11	78,099	71,292
Bank and other borrowings	12	5,750	6,186
Lease liabilities		1,218	1,713
Tax payables		822	822
		100,942	95,066

		As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
	<i>NOTES</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		712	712
TOTAL LIABILITIES		101,654	95,778
NET CURRENT ASSETS		3,569	4,246
TOTAL ASSETS LESS CURRENT LIABILITIES		11,102	12,102
NET ASSETS		10,390	11,390
CAPITAL AND RESERVES			
Share capital	13	35,161	30,951
Reserves		(25,069)	(19,859)
Equity attributable to owners of the Company		10,092	11,092
Non-controlling interests		298	298
TOTAL EQUITY		10,390	11,390

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Reserves							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000	Accumulated (losses)/ profit HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	
For the six months ended								
30 September 2024								
As at 1 April 2024 (audited)	30,951	99,086	2,016	(16,790)	(104,171)	11,092	298	11,390
Ordinary shares issued (Note 13)	4,210	-	-	-	-	4,210	-	4,210
Non-controlling interests	-	-	-	-	-	-	-	-
Loss and total comprehensive expenses for the period	-	-	-	-	(5,210)	(5,210)	-	(5,210)
As at 30 September 2024 (unaudited)	35,161	99,086	2,016	(16,790)	(109,381)	10,092	298	10,390
For the six months ended								
30 September 2023								
As at 1 April 2023 (audited)	19,534	89,473	2,016	(16,790)	(93,445)	788	98	886
Issue of new shares by way of rights issue, net of expenses	9,767	-	-	-	-	9,767	-	9,767
Non-controlling interests	-	-	-	-	-	-	(154)	(154)
Profit/(loss) and total comprehensive expenses for the period	-	-	-	20,086	(10,755)	9,331	271	9,602
As at 30 September 2023 (unaudited)	29,301	89,473	2,016	3,296	(104,200)	19,886	215	20,101

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash (used in) operating activities	<u>(25,496)</u>	<u>(12,139)</u>
Net cash used in investing activities	<u>–</u>	<u>–</u>
Net cash generated from financing activities	<u>25,694</u>	<u>29,713</u>
Net increase in cash and cash equivalents	198	17,574
Cash and cash equivalents at the beginning of the period	170	<u>(684)</u>
Cash and cash equivalents at the end of the period	368	<u>16,890</u>
Represented by:		
Bank balances and cash	221	16,996
Bank overdraft	147	<u>(106)</u>
	368	<u>16,890</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 Suite 801, 8th Floor, Chinachem Century Tower, 178 Gloucester Road, Hong Kong.

The principal activity of the Company is investment holding and the Company together with its subsidiaries (the “Group”) are principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. The 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 engineering, procurement and construction management (“EPCM”) services of commercial and residential buildings and infrastructures in China; and (iii) maintenance services – provision of maintenance and repair services for Water Circulation Systems.

2. Basis of Preparation

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange of Hong Kong” or “SEHK”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023/24 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2024/25 annual consolidated financial statements.

The preparation of an unaudited interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. Basis of Preparation (Continued)

The unaudited interim financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023/24 annual consolidated financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of the investors as the shares of the Company are listed on the GEM of the Stock Exchange. All values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

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.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group recorded a consolidated loss after tax of approximately HK\$5,210,000 for the six months ended 30 September 2024 while it has been noted that the Group’s current cash balances are insufficient to settle all the current liabilities. In view of the implemented measures mentioned in the 2023/24 annual report and issue of new shares under general mandate for debt capitalisation in August 2024, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements. After reviewing the cash flow forecast of the Group, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for six months ended 30 September 2024 on a going concern basis.

Changes in accounting policies

In the current interim period, the Group has applied the following amendments issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”)
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Above amendments have been adopted for the first time in the current accounting period, but do not have material impact on the financial results and position of the Group.

2. Basis of Preparation (Continued)

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 21	Lack of Exchangeability ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2027

³ The amendments should be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

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 and engineering, procurement and construction management ("EPCM") services of commercial and residential buildings and infrastructures in China |

	Three months ended		Six months ended	
	30 September		30 September	
	2024	2023	2024	2023
	<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	3,878	2,990	7,219	7,425
Revenue from consulting services	–	3,076	–	5,594
	3,878	6,066	7,219	13,019

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 2024 and 2023 is as follows:

For the six months ended 30 September 2024

	Management contracting services HK\$'000 (Unaudited)	Consultancy services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers and segment revenue	7,219	-	7,219
Segment profit	3,103	-	3,103
Other income			-
Administrative expenses			(8,246)
Finance costs			(67)
Loss before income tax			(5,210)

For the six months ended 30 September 2023

	Management contracting services HK\$'000 (Unaudited)	Consultancy services HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers and segment revenue	7,425	5,594	13,019
Segment profit	459	1,181	1,640
Other income			1,859
Administrative expenses			(13,857)
Finance costs			(126)
Loss before income tax			(10,484)

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Hong Kong	3,878	2,990	7,219	7,425
Mainland China	–	3,076	–	5,594
	3,878	6,066	7,219	13,019

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A	–	3,076	–	5,594
Customer B	–	604	–	3,437
Customer C	–	1,083	880	2,354
Customer D	816	960	1,484	1,051
Customer E	–	361	–	365
Customer F	2,179	–	4,091	–
Customer G	762	–	762	–

4. Loss before Tax

This is stated after charging:

	Three months ended 30 September		Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Staff costs and related expenses (including directors' remuneration)				
Directors' emoluments	426	624	934	1,280
Other staff's salaries, allowances and other benefits	108	108	216	216
Contributions to defined contribution plans	14	18	29	36
	<u>548</u>	<u>750</u>	<u>1,179</u>	<u>1,532</u>
Total staff costs	548	750	1,179	1,532
Less: Amount included in cost of services	-	-	-	-
	<u>548</u>	<u>750</u>	<u>1,179</u>	<u>1,532</u>
Other items				
Auditor's remuneration	360	400	360	400
Contract costs relating to management contracting services recognised as expenses (Note (a))	872	871	2,110	6,617
Depreciation of				
- Property, plant and equipment	-	1	-	25
- Right-of-use asset	159	161	322	333
Operating lease payments for premises	262	137	502	388
	<u>262</u>	<u>137</u>	<u>502</u>	<u>388</u>

Note:

- (a) Current period's contract costs include HK\$2,110,000 (for the six months ended 30 September 2023: HK\$6,617,000) for consumables and Nil (for the six months ended 30 September 2023: Nil) for staff cost.

5. Income Tax Expense

	Three months ended 30 September 2024		Six months ended 30 September 2024	
	HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Hong Kong profits tax	-	-	-	-
PRC enterprise income tax	-	-	-	-

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

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25% (2023: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2023: 16.5%). Hong Kong profits tax was calculated at a flat rate of 16.5% (2023: 16.5%) of the estimated assessable profits.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the years presented.

Macau Complementary Tax has not been provided as the Group's entity established in Macau incurred a loss for taxation purposes.

The Group will assess its overall income tax position in more detail at year end.

6. Dividends

The directors of the Company did not declare or propose any dividend for the six months ended 30 September 2024 (for the six months ended 30 September 2023: 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 30 September		Six months ended 30 September	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to the owners of the Company, used in basic and diluted profit/(loss) per share calculation	(375)	(12,024)	(5,210)	(10,484)
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share calculation	327,438	215,733	318,474	205,516

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 2024 and 2023.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share of the three and six months ended 30 September 2024 and 2023 had been adjusted to take into effect of the rights issue and new ordinary shares issued during the period.

8. Contingent Consideration Receivable

The fair value of the contingent consideration receivable represented the profit guarantee in relation to the adjustments to the consideration from the acquisition of City Key Group Limited and its subsidiary ("City Key Group") from acquisition date (i.e. 8 April 2022). Contingent consideration receivable will be assessed at fair value at year end.

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
At fair value	5,611	4,138
Arising from acquisition of a subsidiary	–	–
Change in fair value	–	1,473
At the end of the period	5,611	5,611

The Group will assess whether further adjustment on fair value is required at year end.

9. Contract Assets/Contract Liabilities

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Contract assets and contract liabilities arising from management contracting services as follows:		
Contract assets (including retention receivables) gross amount	68,594	70,147
Less: Written-off of contract assets (<i>Note (i)</i>)	-	-
Loss allowance of contract assets (<i>Note (ii)</i>)	-	(6,597)
	68,594	63,550
Contract liabilities	(15,053)	(15,053)

Notes:

- (i) Written-off of contract assets relates to contract assets (including retention receivables) on certain projects that the Group has completed the work under the construction contracts for at least four years in which it has no reasonable expectation of recovering the contractual cash flows and no realistic prospect of recovery.

As at 30 September 2024, the Group did not make any adjustment on written-off of contract assets (31 March 2024: Nil). The Group will assess whether adjustment on written-off of contract assets is required at year end.

- (ii) Loss allowance of contract assets relates to 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.

As at 30 September 2024, the Group did not make any adjustment on loss allowance of contract assets (31 March 2024: HK\$6,597,000). The Group will assess whether adjustment on loss allowance of contract assets is required at year end.

9. Contract Assets/Contract Liabilities (Continued)

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

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Contract assets		
At beginning of the year	63,550	59,928
Transferred to trade debtors	–	(4,103)
Recognition of revenue	5,044	10,847
Written-off	–	–
Loss allowance	–	(3,122)
At the end of the period	68,594	63,550
Contract liabilities		
At beginning of the period	(15,053)	(20,615)
Receipt of advances or recognition of receivables	–	(623)
Recognition of revenue	–	6,185
At the end of the period	(15,053)	(15,053)

As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed. The Company will assess whether adjustment on contract assets and liabilities is required at year end.

9. 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:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
On demand or within one year	–	–
After one year	7,292	7,292
	7,292	7,292

10. Trade and Other Receivables, Deposits and Prepayments

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade debtors (Note a)	12,099	23,352
Less: Loss allowance	–	(11,253)
	12,099	12,099
Pledged deposits to an insurance company (Note b)	158	158
Other debtors, deposits and prepayments	17,828	17,724
	30,085	29,981

10. Trade and Other Receivables, Deposits and Prepayments (Continued)

Notes:

- a. Trade debtors mainly arise from management contracting business and consultancy services. 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, net of loss allowance, based on invoice date at the end of the Reporting Period is as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 30 days	–	1,705
31 to 60 days	1,705	272
Over 60 days	10,394	10,122
	12,099	12,099

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. The Company will assess whether loss allowance is required at year end.

- b. Pledged deposits of HK\$158,000 (31 March 2024: 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 2024: 0.2%) per annum.

11. Trade and Other Payables and Accruals

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Trade creditors (<i>Note a</i>)	20,116	20,901
Salary payables	8,117	5,910
Other creditors and accrued expenses	28,094	22,708
Amount due to a former director (<i>Note b</i>)	21,772	21,773
	78,099	71,292

Notes:

- a. The credit period on trade creditors is 30–90 days. The ageing analysis of trade creditors presented based on the invoice date at the end of the Reporting Period is as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within 365 days	1,041	7,831
Over 365 days	19,075	13,070
	20,116	20,901

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

12. Bank and Other Borrowings

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Secured	–	–
Unsecured	5,750	6,186
	5,750	6,186

12. Bank and Other Borrowings (Continued)

The bank borrowings are repayable as follows:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
On demand or within one year	5,750	6,186

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:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Within one year	–	2,643
Within a period of more than one year but not exceeding two years	–	986
Within a period of more than two years but not exceeding five years	2,208	2,557
Over five years	3,543	–
	5,750	6,186

13. Share Capital

The share capital of the Group as at 30 September 2024 and 31 March 2024 represented the share capital of the Company. Movements of the share capital of the Company are as follows:

	As at 30 September 2024		As at 31 March 2024	
	Number of shares (Unaudited)	Nominal Value HK\$'000 (Unaudited)	Number of shares (Audited)	Nominal Value HK\$'000 (Audited)
Authorised				
Ordinary shares of HK\$0.1 each As at 1 April	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
As at 1 April	309,510,000	30,951	309,510,000	30,951
Ordinary shares issued (Note 1)	22,560,000	2,256	-	-
Ordinary shares issued (Note 2)	19,540,000	1,954	-	-
	351,610,000	35,161	309,510,000	30,951

Notes:

- On 19 August 2024, 22,560,000 new shares of the Company were allotted and issued pursuant to the announcement of the Company dated 19 August 2024.
- On 26 August 2024, 19,540,000 new shares of the Company were allotted and issued pursuant to the announcement of the Company dated 26 August 2024.

14. 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

	Three months ended 30 September		Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	276	112	552	462
Contributions to defined contribution plans	4	18	9	37
	280	130	561	499

15. Performance Bonds

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	226	226

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 2024 and 2023, no customers have called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

16. Pledge of Assets

The following assets were pledged to secure certain banking facilities and performance bonds issued by an insurance company granted to the Group at the end of the Reporting Period:

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Pledged deposits to an insurance company	158	158

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group, a Hong Kong-based contractor, is principally engaged in design, procurement and installation services of the water circulation systems including but not limited to swimming pools, water fountains and water curtains. We provide services mainly to property developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and China. 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 engineering, procurement and construction management (“EPCM”) services of commercial and residential buildings and infrastructures in China; and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the six months ended 30 September 2024, the Group had 4 management contracting projects in Hong Kong with revenue contribution, while the Group will continue to expand our businesses into China and the Greater Bay Area (GBA).

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 world economic outlook in 2024 remains challenging due to ongoing geopolitical tensions and trade conflicts while the business environment in China could have been better in the past six months.

Despite the uncertain outlook, the Group will continue to explore opportunities in Hong Kong and China which will provide long term value to our shareholders, and will seek to strengthen our balance sheet and overall financial profile. Prudent financial, liquidity and cash flow management will continue to be the Group’s major priority, while executing the cost reduction programs to minimise cash outflows, staff costs, general expenses and capital expenditures at the same time.

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 reduced by approximately HK\$5.8 million or 44.6% from approximately HK\$13.0 million for the six months ended 30 September 2023 to approximately HK\$7.2 million for the six months ended 30 September 2024.

Significant reduction in revenue for both Hong Kong and Mainland China markets is due to the challenging business environments in the past 6 months in which the Group did not generate any revenue in Mainland China, but the Group expects its revenue will improve in the near future.

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\$7.3 million or 63.8% from approximately HK\$11.4 million for the six months ended 30 September 2023 to approximately HK\$4.1 million for the six months ended 30 September 2024. Such reduction is line with the decrease in revenue in the past 6 months.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$1.5 million or 89.2% from approximately HK\$1.6 million for the six months ended 30 September 2023 to approximately HK\$3.1 million for the six months ended 30 September 2024. Such increase is due to senior management's continued focus to reduce cost while maintaining quality services in the past 6 months.

Our gross profit margin improved from approximately 12.6% for the six months ended 30 September 2023 to approximately 43.0% for the six months ended 30 September 2024. The increase was inline with additional focus on cost in the past 6 months while senior management will continue to focus on cost savings in the future.

Other income

Our other income reduced from HK\$1.9 million for the six months ended 30 September 2023 to nil for the six months ended 30 September 2024.

Administrative expenses

Our administrative expenses reduced by approximately HK\$5.6 million or 40.5% from approximately HK\$13.9 million for the six months ended 30 September 2023 to approximately HK\$8.2 million for the six months ended 30 September 2024.

Finance costs

Our finance costs decreased by approximately HK\$0.06 million or 46.8% from approximately HK\$0.13 million for the six months ended 30 September 2023 to approximately HK\$0.07 million for the six months ended 30 September 2024, 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 2024 and 2023, there were no assessable profits in Hong Kong and Macau, as a result, no income tax expenses were provided for, while income tax expense (if any) subject to PRC enterprise income tax will be assessed at year end.

Net loss

Our net loss reduced from approximately HK\$10.5 million for the six months ended 30 September 2023 to approximately HK\$5.2 million for the six months ended 30 September 2024.

Dividends

No dividend was declared or proposed by the Board for the six months ended 30 September 2024 and 2023.

Events after the Reporting Period

Save as disclosed in this interim report, the Board is not aware of any significant events subsequent to 30 September 2024 which would materially affect the Group's operating and financial performance.

Liquidity, Financial Resources and Funding

As at 30 September 2024, the Group had total assets of approximately HK\$112.0 million (31 March 2024: approximately HK\$107.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$101.7 million (31 March 2024: approximately HK\$95.8 million) and approximately HK\$10.4 million (31 March 2024: approximately HK\$11.4 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 30 September 2024 were approximately HK\$5.8 million (31 March 2024: approximately HK\$6.2 million), and current ratio as at 30 September 2024 was approximately 1.04 times (31 March 2024: approximately 1.04 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, increased from approximately 54.3% as at 31 March 2024 to approximately 55.3% as at 30 September 2024.

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 2024, the Company's issued share capital was HK\$35,161,000 (31 March 2024: HK\$29,301,000) divided into 351,610,000 ordinary Shares of par value of HK\$0.1 each (31 March 2024: 293,010,000 of HK\$0.1 each).

Capital Commitments

As at 30 September 2024 and 31 March 2024, 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 2024, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save for those disclosed in this interim report, there were no other significant investments held by the Group as at 30 September 2024, nor were there other material acquisitions of subsidiaries and affiliated companies by the Group during the period.

Contingent Liabilities

Save as disclosed in note 15 of the notes to the unaudited condensed consolidated financial information, as at 30 September 2024 and 31 March 2024, the Group did not have other material contingent liabilities.

Foreign Currency Exposure

Since the Company's business activities are mainly operated in Hong Kong and China, and the relevant transactions are denominated in Hong Kong dollars, the Directors consider that the Company's risk in foreign exchange is insignificant.

Pledge of Assets

Save as disclosed in note 16 of the notes to the unaudited condensed consolidated financial information, as at 30 September 2024 and 31 March 2024, the Group did not have other pledge of assets.

Connected Transactions

Save as disclosed in this interim report, the Company did not have any other connected transactions which were subject to the reporting requirements under the GEM Listing Rules for six months ended 30 September 2024.

Employees and Remuneration Policies

As at 30 September 2024, the Group employed a total of 11 employees (31 March 2024: 11 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$1.2 million for the six months ended 30 September 2024 (for the six months ended 30 September 2023: approximately HK\$1.5 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 2024, none of the Directors nor chief executive of the Company has any 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 2024, 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 Limited	Beneficial owner <i>(Note 1)</i>	61,795,000	Long position	17.57%
Mr. Nam Ho Kwan	Interest in controlled corporation <i>(Note 1)</i>	61,795,000	Long position	17.57%
Prudential Brokerage Limited	Person having security interest in shares <i>(Note 1)</i>	61,795,000	Long position	17.57%

Note:

As at 30 September 2024:

1. Harmony Asia International Limited is a company incorporated in Samoa which is wholly owned by Mr. Nam Ho Kwan, a former executive Director, the chairman of the Board, and chief executive officer of the Company who resigned from such positions with effect from 5 October 2022. Therefore, Mr. Nam is deemed to be interested in all Shares held by Harmony Asia International Limited by virtue of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Save as disclosed above, as at 30 September 2024, 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. On 27 April 2022, a total of 130,000,000 share options were granted to the Directors, employees and consultants under the Share Option Scheme. Please refer to the Company's announcement dated 27 April 2022 for further details.

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 exercise 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, details of share options held by the eligible participants and movements of shares options under the Share Option Scheme during the six-month period ended 30 September 2024 are set out as follow:

Category/Name of Grantee (Note (a))	Date of Grant of share options	Exercise period of share options	Exercise price per share as at the date of grant of share options	Number of share options						Balance as at 30 September 2024
				Balance as at 1 April 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Adjusted during the period (Note (e))	
(1) Directors										
Executive Directors										
Ng Wan Lok (Note (b))	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	-	-	-	-	-	-	-
Wong Wing Hung (Note (c))	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	-	-	-	-	-	-	-
Sub-total				-	-	-	-	-	-	-
(2) Employees - In Aggregate										
Employees	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	1,528,846	-	-	-	-	-	1,528,846
Sub-total				1,528,846	-	-	-	-	-	1,528,846
(3) Consultants (Note (d))										
Ho Kai Cheung Derek	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	2,751,923	-	-	-	-	-	2,751,923
Lee Thomson	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	1,325,000	-	-	-	-	-	1,325,000
Lee Kun Yin	27 April 2022	27/04/2022 to 26/04/2032	HK\$0.0342	509,615	-	-	-	-	-	509,615
Sub-total				4,586,538	-	-	-	-	-	4,586,538
Total				6,115,384	-	-	-	-	-	6,115,384

Notes:

- (a) Consideration of HK\$1 was paid by each of the grantees on their acceptance of the share options granted.
- (b) Mr. Ng Wan Lok exercised his 6,500,000 option shares at HK\$0.0342 on 18 November 2022.
- (c) Ms. Wong Wing Hung exercised her 6,500,000 option shares at HK\$0.0342 on 18 November 2022.
- (d) Consultants of the Group assist the Group in formulating business development plans and expanding its business development by referring customers, business partners, investment opportunities and business opportunities to the Group. Share options were granted to the consultants of the Group as incentives to them for helping the Group to expand its business network, acquire and explore new business projects and opportunities.
- (e) The options granted under the Share Option Scheme could be exercised at the exercise price of HK\$0.0342 at the date of grant, which represents the highest of (i) HK\$0.034 being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (ii) HK\$0.0342, being the average of the closing prices of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK\$0.01, being the nominal value of the Share. The exercise price of the share option was adjusted to HK\$0.342 following share consolidation on 1 February 2023. Upon the rights issues being allotted and issued on 8 September 2023, the exercise price of the share option was further adjusted to HK\$0.336 and please refer to the Company's announcement dated 8 September 2023 for further details. The exercise period should commence on the date of grant (i.e. 27 April 2022) and end on 26 April 2032. Adjustments will be assessed accordingly at year-end.

Save as disclosed above, 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 6,115,384 shares (after rights issue effective on 8 September 2023), representing 1.74% of the shares of the Company in issue as at the date of this interim report.

The total number of shares that may be issued in respect of options granted under all schemes of the Company during the six months ended 30 September 2024 divided by the weighted average number of shares of the relevant class in issue for the period was 1.92%.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

On 13 August 2024, the Company and Ms. Leung Yan Fan Youki (“Creditor”), a Hong Kong citizen and a third party independent of the Company and its connected persons, entered into the Agreement, pursuant to which, subject to fulfilment of the conditions thereof, the Company has agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 22,560,000 Capitalisation Shares at the price of HK\$0.135 per Share in settlement of the Partial Indebted Sum of approximately HK\$3,045,000. The Capitalisation Shares represent (i) approximately 7.29% of the existing issued share capital of the Company as of 13 August 2024; and (ii) approximately 6.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. All the conditions set out in the Agreement were fulfilled and Closing took place on 19 August 2024. Please refer to the announcements of the Company dated 13 August 2024 and 19 August 2024 respectively for further information.

On 22 August 2024, the Company, Ms. Leung Yan Fan Youki and Ms. Hui Lai Ngar (“Creditors”), Hong Kong citizens and third parties independent of the Company and its connected persons, entered into the Agreement, pursuant to which, subject to fulfilment of the conditions thereof, the Company has agreed to allot and issue, and the Creditors have conditionally agreed to subscribe a total 19,540,000 Capitalisation Shares at the price of HK\$0.135 per Share in settlement of the Partial Indebted Sum of approximately HK\$2,637,900. The Capitalisation Shares represent (i) approximately 5.88% of the existing issued share capital of the Company as of 22 August 2024; and (ii) approximately 5.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. All the conditions set out in the Agreement were fulfilled and Closing took place on 26 August 2024. Please refer to the announcements of the Company dated 22 August 2024 and 26 August 2024 respectively for further information.

On 5 November 2024, the Company, Ms. Leung Yan Fan Youki, Ms. Hui Lai Ngar and Ms. Ng On Yi (“Creditors”), Hong Kong citizens and third parties independent of the Company and its connected persons, entered into the Agreement, pursuant to which, subject to fulfilment of the conditions thereof, the Company has agreed to allot and issue, and the Creditors have conditionally agreed to subscribe a total 70,320,000 Capitalisation Shares at the price of HK\$0.032 per Share in settlement of the Partial Indebted Sum of approximately HK\$2,250,240. The Capitalisation Shares represent (i) approximately 19.999% of the existing issued share capital of the Company as of 5 November 2024; and (ii) approximately 16.666% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. All the conditions set out in the Agreement were fulfilled and Closing took place on 12 November 2024. Please refer to the announcements of the Company dated 5 November 2024, 6 November 2024 and 12 November 2024 respectively for further information.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the Share Option Scheme, at no time during the six months ended 30 September 2024 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.

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 while there have been no changes in the Group's risk management policies and practices since year end. Other than the potential impact on 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 2024.

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 2023/24 Annual Report of the Company, is set out below:

- Mr. Chung Yu Ching was appointed as an executive Director of the Company with effect from 22 May 2024;
- Mr. Wang Xinliang ceased to be an executive Director of the Company with effect from 30 September 2024;
- Mr. Ma Meng ceased to be an independent non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 30 September 2024;
- Mr. Cheung Hiu Fung, an existing independent non-executive Director of the Company, was appointed as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 30 September 2024;
- Mr. Shu Zhongwen resigned as an executive Director, chief executive officer and chairman of the Nomination Committee of the Company with effect from 8 October 2024;
- Mr. Chung Yu Ching resigned as an executive Director of the Company with effect from 8 October 2024; and
- Mr. Ng Wan Lok was appointed as the chairman of the Nomination Committee, with effect from 8 October 2024.

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 Part 2 of Appendix C1 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. Overall, the Company has complied 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 2024.

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 C1 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.

As of the date of this report, the Audit Committee is chaired by our independent non-executive Director, Mr. Yuen Wai Keung, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules and consists of two other independent non-executive Directors, namely Mr. Li Ruyi and Mr. Cheung Hiu Fung.

The financial information contained in this interim report has not been audited by the Company's external auditor. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2024 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.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group's major operations are mainly carried out in Mainland China and Hong Kong, while the Company is listed on the GEM of the Stock Exchange. The Group always aims to comply with relevant laws and regulations in Mainland China, Hong Kong and the respective places of incorporation of the Company and its subsidiaries while sufficient resources and training have been allocated and provided to ensure the on-going compliance with the applicable laws and regulations.

For the six months ended 30 September 2024 and up to the date of this interim report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

MATERIAL LITIGATION

Save as disclosed in this interim report, the Company was not involved in any other material litigation or arbitration for the six months ended 30 September 2024.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on the information that is publicly available to the Company, at least 25% of the Company's issued capital were held by public for the six months ended 30 September 2024 and as at the date of this interim report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.irasia.com/listco/hk/haobai/>). The interim report will be despatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a Chairman of the Board and Chief Executive Officer since 20 November 2023 and 8 October 2024 respectively. The Board is in the process of locating appropriate persons to fill the vacancies of the Chairman and Chief Executive Officer. The Board considers that the existing Board members and senior management of the Company are able to share the power and responsibilities of Chairman and Chief Executive Officer among themselves in accordance with the CG Code set out in Part 2 of Appendix C.2 of the GEM Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank all of our management team members and staff for their commitment and contributions. I also greatly appreciate the continued support of our business partners, suppliers, staff and shareholders for their generous support and assistance in the past 6 months. We shall be grateful for your continuing trust and support in the years to come.

By order of the Board

Hao Bai International (Cayman) Limited

Ng Wan Lok

Executive Director

Hong Kong, 14 November 2024

As at the date of this report, the executive Directors are Mr. Ng Wan Lok and Ms. Wong Wing Hung; and the independent non-executive Directors are Mr. Li Ruyi, Mr. Yuen Wai Keung and Mr. Cheung Hiu Fung.