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HAO BAI INTERNATIONAL (CAYMAN) LIMITED

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8431)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

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

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

GROUP RESULTS

The board of directors (the “**Board**”) of Hao Bai International (Cayman) Limited (the “**Company**”) announced the annual consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2024 together with the comparative audited figures for last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	4	21,884	15,596
Cost of services		<u>(16,438)</u>	<u>(12,109)</u>
Gross profit		5,446	3,487
Other income and losses, net	5	(3,169)	(23,311)
Administrative expenses		(11,919)	(12,930)
Finance costs	6	(384)	(409)
Loss before income tax	7	(10,026)	(33,163)
Income tax expense	8	(500)	(1)
Loss for the year		(10,526)	(33,164)
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive expenses for the year		<u>(10,526)</u>	<u>(33,164)</u>
Loss for the year attributable to:			
– Owners of the Company		(10,726)	(33,207)
– Non-controlling interests		200	43
		<u>(10,526)</u>	<u>(33,164)</u>
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(10,726)	(33,207)
– Non-controlling interests		200	43
		<u>(10,526)</u>	<u>(33,164)</u>
			(restated)
Loss per share			
Basic (<i>HK cents</i>)	9	(4)	(20)
Diluted (<i>HK cents</i>)	9	–	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3	28
Right-of-use assets		2,414	64
Goodwill		2,739	3,870
Equity investment at fair value through other comprehensive income		2,700	–
Contingent consideration receivable		–	4,138
		<u>7,856</u>	<u>8,100</u>
Current assets			
Contract assets		63,550	59,928
Trade and other receivables, deposits and prepayments	11	29,981	15,634
Contingent consideration receivable		5,611	–
Pledged and restricted bank deposits		–	228
Bank balances and cash		170	248
		<u>99,312</u>	<u>76,038</u>
Total assets		<u>107,168</u>	<u>84,138</u>
Current liabilities			
Contract liabilities		15,053	20,615
Trade and other payables and accruals		71,292	54,801
Bank and other borrowings		6,186	6,662
Lease liabilities		1,713	42
Bank overdrafts		–	932
Tax payables		822	200
		<u>95,066</u>	<u>83,252</u>
Non-current liabilities			
Lease liabilities		712	–
		<u>712</u>	<u>–</u>
Total liabilities		<u>95,778</u>	<u>83,252</u>

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets/(liabilities)	<u>4,246</u>	<u>(7,214)</u>
Total assets less current liabilities	<u>12,102</u>	<u>886</u>
NET ASSETS	<u>11,390</u>	<u>886</u>
Capital and reserves		
Share capital	30,951	19,534
Reserves	<u>(19,859)</u>	<u>(18,746)</u>
Equity attributable to owners of the Company	11,092	788
Non-controlling interests	<u>298</u>	<u>98</u>
TOTAL EQUITY	<u>11,390</u>	<u>886</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2024

1. CORPORATE INFORMATION

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 to be 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 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. MATERIAL ACCOUNTING POLICIES

Statement of compliance

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

The 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 HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for the unlisted equity investment and for certain financial instruments which are measured at fair values.

(a) *New and amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) *Amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Going concern

In preparing the consolidated financial statements, the directors of the Company (the “Directors”) 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\$10,526,000 for the year ended 31 March 2024 while it has been noted that the Group’s current cash balances are insufficient to settle all the current liabilities. The Directors acknowledged that the Group has improved from having net current liabilities of HK\$7,214,000 last year to net current assets of HK\$4,246,000 this year. These conditions indicate that a material uncertainty still exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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. In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures to deal with the conditions referred to above, as follows:

- (a) the Group will continue to negotiate with banks for renewing banking facilities. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the banks to withdraw their bank facilities or require early repayment of the loans, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks;
- (b) the management will consider other financing arrangements and fund-raising alternatives with a view to increasing the Group's capitalisation/equity and to support the continuing growth of the Company;
- (c) the Group's substantial shareholder has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;
- (d) the Group's substantial shareholder has agreed not to demand for any repayment due to him of approximately HK\$21,773,000 at 31 March 2024 until the Group is in a financial position to do so;
- (e) the Group will continue to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future; and
- (f) the directors of the Company will continue to implement stronger measures aiming at improving the working capital and cash flows of the Group, including closely monitoring incurrence of other operating expenses.

Having considered the above and 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 the year ended 31 March 2024 on a going concern basis.

Regarding to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the Directors are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group.

However, the appropriateness of the going concern basis of accounting is dependent on the assumption that (i) the management of the Group will be able to achieve its plans and measures as described above; (ii) the Group is able to obtain continuous external financial support; (iii) the Group will be able to improve its business operations; and (iv) the Group is able to generate sufficient cash flow and implement exercises to control costs. Should the going concern basis of accounting become inappropriate, adjustments might have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March 2024, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. SEGMENT INFORMATION

The segment information for the reportable and operating segments for the years ended 31 March 2024 and 2023 is as follows:

	Management contracting services HK\$'000	Consultancy services HK\$'000	Total HK\$'000
Year ended 31 March 2024			
Revenue from external customers and segment revenue	<u>13,089</u>	<u>8,795</u>	<u>21,884</u>
Segment profits	<u>4,218</u>	<u>1,228</u>	<u>5,446</u>
Other income and losses, net			(3,169)
Administrative expenses			(11,919)
Finance costs			<u>(384)</u>
Loss before income tax			<u>(10,026)</u>
Year ended 31 March 2023			
Revenue from external customers and segment revenue	<u>13,496</u>	<u>2,100</u>	<u>15,596</u>
Segment profits	<u>3,364</u>	<u>123</u>	<u>3,487</u>
Other income and losses, net			(23,311)
Administrative expenses			(12,930)
Finance costs			<u>(409)</u>
Loss before income tax			<u>(33,163)</u>

The following is an analysis of the Group's assets and liabilities by operating segments:

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2024			
Segment assets	<u>67,666</u>	<u>10,400</u>	78,066
Bank balances and cash			170
Other receivables, deposits and prepayments			17,882
Equity investment at fair value through other comprehensive income			2,700
Goodwill			2,739
Contingent consideration receivable			<u>5,611</u>
Consolidated assets			<u>107,168</u>
Liabilities			
Segment liabilities	<u>60,865</u>	<u>9,885</u>	70,750
Bank and other borrowings			6,186
Other payables and accruals			<u>18,842</u>
Consolidated liabilities			<u>95,778</u>
At 31 March 2023			
Segment assets	<u>71,185</u>	<u>3,242</u>	74,427
Pledged and restricted bank deposits			228
Bank balances and cash			248
Other receivables, deposits and prepayments			1,227
Goodwill			3,870
Contingent consideration receivable			<u>4,138</u>
Consolidated assets			<u>84,138</u>
Liabilities			
Segment liabilities	<u>59,814</u>	<u>3,055</u>	62,869
Bank borrowings			6,662
Bank overdrafts			932
Other payables and accruals			<u>12,789</u>
Consolidated liabilities			<u>83,252</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	13,089	13,496
Mainland China	8,795	2,100
	<u>21,884</u>	<u>15,596</u>

The following is an analysis of the carrying amounts of non-current assets, analysed by the geographical area in which the assets are located:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	3,346	92
Mainland China	4,510	8,008
	<u>7,856</u>	<u>8,100</u>

Information about major customers

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	881	3,968
Customer B	1,734	–
Customer C	10,738	9,763
	<u>13,353</u>	<u>13,734</u>

4. REVENUE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from management contracting services	13,089	13,496
Revenue from consultancy services	8,795	2,100
	<u>21,884</u>	<u>15,596</u>

All revenue generated by the Group for the years ended 31 March 2024 and 2023 was from contracts with customers within HKFRS15, and recognised over time.

5. OTHER INCOME AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	5	3
Exchange difference gains, net	453	–
Sundry income	110	16
Fair value gain on contingent consideration receivable	1,473	58
Impairment loss on goodwill	(1,530)	–
Written-off of contract assets	–	(14,905)
Impairment loss on contract assets	(3,122)	(3,475)
Impairment loss on trade receivables	(558)	(5,008)
	<u>(3,169)</u>	<u>(23,311)</u>

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank borrowings	233	378
Interest on other borrowings	37	–
Interest on bank overdrafts	46	21
Interest on lease liabilities	68	10
	<u>384</u>	<u>409</u>
Total interest expenses on financial liabilities not at fair value through profit and loss	<u>384</u>	<u>409</u>

7. LOSS BEFORE INCOME TAX

This is stated after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs and related expenses (including directors' remuneration)		
Directors' emoluments	2,381	3,308
Other staff's salaries, allowances and other benefits	1,614	435
Contributions to defined contribution plans	73	99
	<u>4,068</u>	<u>3,842</u>
Less: Amount included in cost of services	(71)	–
Amount included in administrative expenses	(1,543)	(435)
	<u>2,454</u>	<u>3,407</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other items		
Auditors' remuneration	360	400
Contract costs relating to management contracting services recognised as expenses*	16,438	12,109
Depreciation of property, plant and equipment	28	115
Depreciation of right-of-use asset	1,306	258
Share-based payments	–	3,570
Written-off of contract assets	–	14,905
Loss allowance of trade debtors	558	5,008
Loss allowance of contract assets	3,122	3,475
	<u>3,122</u>	<u>3,475</u>

* Contract costs included approximately HK\$2,714,000 (2023: approximately HK\$1,608,000) and approximately HK\$4,822,000 (2023: HK\$5,113,000) relating to the consumables goods and subcontractor costs respectively.

8. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong Profits Tax	455	–
Macau Complementary Tax	–	–
China tax	45	1
	<u>45</u>	<u>1</u>
Total income tax expenses for the year	<u>500</u>	<u>1</u>

The Group's entities established in the Cayman Islands, Samoa and the British Virgin Islands ("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 has unused estimated tax losses of approximately HK\$86,509,000 (2023: approximately HK\$78,010,000) available to offset against future profits which have no expiry date under current tax legislation. Deferred taxation assets have been recognised in respect of approximately HK\$139,000 (2023: approximately HK\$139,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining unused tax losses of approximately HK\$69,489,000 (2023: approximately HK\$60,990,000) due to the unpredictability of future profit streams.

Reconciliation of income tax expense

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before income tax	<u>(10,026)</u>	<u>(33,163)</u>
Tax at the applicable tax rate	(1,654)	(5,469)
Non-deductible expenses	752	(18,033)
Unrecognised tax losses	<u>1,402</u>	<u>23,503</u>
Income tax expense	<u>500</u>	<u>1</u>

9. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(10,726)</u>	<u>(33,207)</u>
	Number of shares	
	2024	2023 (restated)
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>252,823,254</u>	<u>166,616,493</u>
Loss per share, basic and diluted (<i>HK cents</i>)	<u>(4)</u>	<u>(20)</u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would lead to anti-dilutive effect and result in a decrease in loss per share for the years ended 31 March 2024 and 2023.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share of the years ended 31 March 2024 and 2023 had been adjusted to take into effect of the rights issue as if it had been effective on 1 April 2022.

10. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2024 (2023: HK\$Nil).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade debtors		23,352	25,102
Less: Loss allowance		(11,253)	(10,695)
		<hr/>	<hr/>
	11(a)	12,099	14,407
Pledged deposits to an insurance company	11(b)	158	158
Other debtors, deposits and prepayments	11(c)	17,724	1,069
		<hr/>	<hr/>
		29,981	15,634
		<hr/> <hr/>	<hr/> <hr/>

- (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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	1,705	140
31 to 60 days	272	5,253
Over 60 days	10,122	9,014
	<hr/>	<hr/>
	12,099	14,407
	<hr/> <hr/>	<hr/> <hr/>

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.

At the end of the reporting period, the ageing analysis of the past due trade debtors, net of loss allowance:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	–	–
31 to 60 days	–	–
61 to 365 days	6,198	–
More than one year	3,924	9,014
	<hr/>	<hr/>
	10,122	9,014
	<hr/> <hr/>	<hr/> <hr/>

- (b) Pledged deposits of approximately HK\$158,000 (2023: approximately HK\$158,000) to an insurance company is the security for issuance of performance bonds in respect of contracts for management contracting services with prevailing market rates at 0.2% (2023: 0.2%) per annum.
- (c) During the year ended 31 March 2024, the Group has entered certain non-binding memorandum of understanding with potential vendors in respect of acquisition of subsidiaries, the deposits paid included in the other debtors, deposits and prepayments, amounting to approximately HK\$9,873,000 (2023: HK\$Nil).

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The section below set out an extract of the independent auditors' report regarding the consolidation financial statements of the Group for the year ended 31 March 2024.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the section headed “Going Concern” of note 2 to the consolidated financial statements, that the Group incurred a net loss amounted to approximately HK\$10,526,000 for the year ended 31 March 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

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, hotel, casino, shopping and recreation complex projects in Hong Kong and China. The Group's 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 year ended 31 March 2024, the Group had 4 major management contracting projects in Hong Kong (2023: 4 management contracting projects) with revenue contribution, while the Group will continue to expand our businesses into China and the Greater Bay Area.

The impact of COVID-19 is finally receding after three years long. Our business and operations have returned to normal after lifting of anti-epidemic measures. The Group will continue maintaining its proactive while prudent approach to recover from the pandemic shadow. Facing such difficulties, the Group has demonstrated its determination to keep up with industry development while trying to improve its financial structure for the long-term and healthy growth of the Group's businesses.

During the Reporting Period, the Group's net loss reduced from approximately HK\$33.2 million for the year ended 31 March 2023 to approximately HK\$10.5 million for the year ended 31 March 2024. The Group's net loss was mainly attributable to the write-off/loss allowance of contract assets and material contract costs relating to management contracting services being recognised as expenses, and this year's write off is significantly less than prior year.

In 2023, the global economic situation was dynamic and unpredictable. The continuing Russia-Ukraine war, the rise of Israeli-Palestinian conflict, the escalating Sino-U.S. technology war, unpredictability arising from the US presidential election, uncertain interest rate environment in major economies and recovery of China's economy below market expectation resulted in sluggish economy in general, leading to weak demand in Hong Kong's overall economy and business environments.

Although our Directors remain confident in the mid-to-long term business outlook of Hong Kong and China and also the performance of the Group, the financial results of the Group in the near future may potentially be affected as a result of the adversities.

The Group will continue to look for business and investment opportunities both in Hong Kong and China while at the same time, implementing cost reduction programs to minimise cash outflows, staff costs, general expenses and taking considerable efforts to control capital expenditures. The Directors will continue to evaluate the Group's business strategies in Hong Kong and China on a regular basis while any potential business opportunities will be discussed and reviewed internally. Business decisions are made in the view of improving the Group's short and long term potential growth while we will continue to leverage our network to enhance our financial positions for our shareholders and stakeholders.

FINANCIAL REVIEW

Revenue

Our total revenue increased by approximately HK\$6.3 million or 40.3% from approximately HK\$15.6 million for the year ended 31 March 2023 to approximately HK\$21.9 million for the year ended 31 March 2024.

The Group continues to see strong improvement from the consultancy business in China, with its contribution to the Group's overall revenue increased from 13.5% last year to 40% this year, while revenue generated from Hong Kong has remained steady.

Due to the uncertain business and property market environment, water circulation systems' tender process for new construction and property development projects has been slow, but management remains confident in winning new tenders in the next 12 to 18 months.

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\$4.3 million or 35.8% from approximately HK\$12.1 million for the year ended 31 March 2023 to approximately HK\$16.4 million for the year ended 31 March 2024. Such increase is in line with the Group's overall increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$2.0 million or 56.1% from approximately HK\$3.5 million for the year ended 31 March 2023 to approximately HK\$5.4 million for the year ended 31 March 2024. While number of projects remains the same this year, gross profit margin increased from approximately 22.3% for the year ended 31 March 2023 to approximately 24.9% for the year ended 31 March 2024. Improvement in gross profit margin is due to management's continued focus on cost saving.

Other income and losses, net

Our other income and losses, net reduced from approximately HK\$23.3 million for the year ended 31 March 2023 to approximately HK\$3.2 million for the year ended 31 March 2024.

Administrative expenses

Our administrative expenses reduced by approximately HK\$1.0 million or 7.8% from approximately HK\$12.9 million for the year ended 31 March 2023 to approximately HK\$11.9 million for the year ended 31 March 2024 due to management's ongoing effort to reduce costs and general expenses during the reporting period.

Finance costs

Our finance costs decreased by approximately HK\$0.03 million or 6% from approximately HK\$0.41 million for the year ended 31 March 2023 to approximately HK\$0.38 million for the year ended 31 March 2024, primarily due to certain loans being repaid during the reporting period.

Income tax expense

Our income tax expense increased by approximately HK\$500,000 from approximately HK\$1,000 for the year ended 31 March 2023 to approximately HK\$500,000 for the year ended 31 March 2024. Income tax expense is subject to Hong Kong Profits Tax and PRC Enterprise Income Tax.

Net loss

The Company recorded a net loss of approximately HK\$10.5 million for the year ended 31 March 2024 as compared to a net loss of approximately HK\$33.2 million for the year ended 31 March 2023.

Written-off and loss allowance on contracts assets and trade receivables

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and retention receivables, deposits and other receivables, contract assets, cash and cash equivalents) on an annual basis. The Group has made appropriate write-off to its contract assets and trade debtors in accordance with the relevant reporting standards for the year ended 31 March 2024.

DIVIDENDS

No dividend was declared or proposed by the Board for both years ended 31 March 2024 and 2023.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2024, the Group had total assets of approximately HK\$107.2 million (2023: approximately HK\$84.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$95.8 million (2023: approximately HK\$83.3 million) and approximately HK\$11.4 million (2023: approximately HK\$0.8 million) respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2024 were approximately HK\$6.2 million (2023: approximately HK\$7.6 million), and current ratio as at 31 March 2024 was approximately 1.04 times (2023: approximately 0.91 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 year.

The Group's gearing ratio, which is calculated by total borrowings and bank overdrafts divided by total equity, changed from approximately 857.1% as at 31 March 2023 to approximately 54.3% as at 31 March 2024, primarily due to the significant increase in total equity during the Reporting Period.

CAPITAL STRUCTURE

The Shares were successfully listed on the 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.

On 31 July 2023, the Company proposed to conduct the Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share, to raise up to HK\$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares (“**Rights Issue**”).

On 8 September 2023, the Company issued 97,670,000 Rights Shares and the net proceeds from the Rights Issue were approximately HK\$18.33 million.

On 1 March 2024, Mega Charm International Holdings Limited, a wholly-owned subsidiary of the Company, completed a Sale and Purchase Agreement with Mr. Wong King Man. The consideration for the sale and purchase of the Sale Share was HK\$2,700,000 in which the Company allotted and issued 16,500,000 shares at an issue price of approximately HK\$0.1636.

As at 31 March 2024, the Company’s issued share capital was HK\$30,951,000 (31 March 2023: HK\$19,534,000) divided into 309,510,000 (31 March 2023: 195,340,000) ordinary Shares of par value of HK\$0.10 (31 March 2023: HK\$0.10) each.

The share capital of the Group comprises ordinary shares only.

CAPITAL COMMITMENTS

As at 31 March 2024 and 2023, the Group did not have any capital commitments contracted but not provided for.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 March 2024 or have other plans for material investments and capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Saved as disclosed in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

Save for indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services with a value of approximately HK\$226,000, as at 31 March 2024 and 2023, 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. The Group did not engage in any derivatives agreements nor commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 March 2024.

PLEDGE OF ASSETS

Save for the pledged deposits to an insurance company with a value of approximately HK\$158,000, as at 31 March 2024 and 2023, the Group did not have other pledge of assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 11 employees (2023: 11 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$4.1 million for the year ended 31 March 2024 (2023: approximately HK\$3.8 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.

USE OF PROCEEDS FROM RIGHTS ISSUE

On 31 July 2023, the Company proposed to conduct the Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share, to raise up to HK\$19,534,000 before expenses by way of issuing up to 97,670,000 Rights Shares ("**Rights Issue**").

On 8 September 2023, the Company issued 97,670,000 Rights Shares and the net proceeds from the Rights Issue were approximately HK\$18.33 million. Please refer to the announcements of the Company dated 8 September 2023 and 17 August 2023 and the circular dated 31 July 2023 for further information ("**Rights Issue Documents**").

With reference to the reasons for and benefits of the Rights Issue, the Rights Issue was being implemented to achieve several objectives that would benefit the Group. Firstly, it would facilitate the Group to raise additional funds, enabling the repayment of outstanding loans and payables, and reducing the financial burden on the Company. Secondly, the Board anticipated a gradual improvement in the PRC market and had a positive outlook regarding the overall market sentiment and business environment in the PRC, which could be leveraged to expand the Group's businesses in the PRC. This expansion would involve investing in construction projects in the PRC, expanding the business map of its existing management contracting services business and consulting services business, and diversifying income sources by venturing into other profit making services areas in the construction industry.

The Board is of the view that the Subscription Price which was set at a discount to the prevailing market prices of the Shares could provide an attractive investment opportunity to encourage existing Shareholders to participate in the Rights Issue such that it could increase the possibility of the Company to raise fund from the Rights Issue to achieve the intended use of proceeds. Such an opportunity would not only support the continuing development of the Group but also incentivise existing Shareholders to continue investing in the Company. Therefore, the Rights Issue would provide the Group with the necessary financial resources to pursue its strategic goals in the PRC and beyond. This would ultimately benefit the Company and the Shareholders by enabling the expansion of the Group's businesses in the PRC and diversification of its income sources, while reducing the financial burden on the Company.

The following table set outs the details of the intended use of net proceeds as stated in the Rights Issue Documents and as at 31 March 2024, the net proceeds were fully utilised as follow:

Intended use of the net proceeds	Actual net proceeds <i>HK\$ million</i>	Actual utilised net proceeds up to 30 September 2023 <i>HK\$ million</i>	Actual utilised	Unutilised
			net proceeds between 1 October 2023 and 31 March 2024 <i>HK\$ million</i>	net proceeds as at 31 March 2024 <i>HK\$ million</i>
Repayment of overdue trade payables	4.80	2.23	2.57	–
Repayment of bank loans due within one year	1.60	–	1.60	–
Repayment of bank loans due to a connected person of the Company	4.90	–	4.90	–
Expansion of the Group's businesses in the PRC	4.90	–	4.90	–
General working capital	2.13	–	2.13	–
	<u>18.33</u>	<u>2.23</u>	<u>16.10</u>	<u>–</u>

PLACING OF 16,500,000 NEW SHARES

On 1 March 2024, Mega Charm International Holdings Limited, a wholly-owned subsidiary of the Company, completed a Sale and Purchase Agreement with Mr. Wong King Man. The consideration for the sale and purchase of the Sale Share was HK\$2,700,000 in which the Company allotted and issued 16,500,000 shares at an issue price of approximately HK\$0.1636. After the completion, the Company indirectly holds 15% of Wing Keung Engineering Company, a sole proprietorship established in Hong Kong and is principally engaged in the provision of engineering and construction services to various public organisations and private companies in Hong Kong since 1992. Please refer to the announcements dated 26 January 2024, 29 January 2024, 16 February 2024 and 1 March 2024 for further information.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The directors and management of the Company and its subsidiaries (the “**Group**”) recognise the importance of sound corporate governance to the long-term success and development of the Group. Therefore, the Board is committed to uphold good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, and protect the interests and create values for shareholders of the Company (the “**Shareholders**”).

During the year ended 31 March 2024 and up to the date of this results announcement, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the “**Code**”) contained in Appendix C1 of the GEM Listing Rules, except for the below deviation.

Code F.2

Two executive Directors and three independent non-executive Directors were absent from the last annual general meeting of the Company held on 29 September 2023 as they were away from Hong Kong due to other important engagements at the time of this meeting. The Board considered that sufficient measures had been taken for the absent Directors to understand the views of shareholders, including having circulated the minutes of the annual general meeting to each of the absent Directors after the conclusion of the annual general meeting.

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the Reporting Period. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with any new Corporate Governance Code and align with the latest developments.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on the terms no less exacting than the required standard of dealing set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had 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 year ended 31 March 2024. The Company has also established written guidelines on no less exacting terms than the Model Code regarding securities transactions by relevant employees (including the employees and Directors of the subsidiaries or holding company) who are likely to possess inside information of the Company and/or its securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 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 throughout the year ended 31 March 2024 and as at the date of this results announcement.

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the year ended 31 March 2024.

PRINCIPAL RISKS 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. The management considers that following are the key risks and uncertainties identified 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 receive 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's 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 have 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 determine 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.

EVENTS AFTER THE REPORTING PERIOD

Save for (a) on 8 May 2024, the Board approved to replace the Company's auditor for the financial year ended 31 March 2024 from CCTH CPA Limited to Infinity CPA Limited (please refer to the Company's announcements dated 8 May 2024 for further details); (b) on 22 May 2024, Mr. Chung Yu Ching was appointed as an executive Director of the Company (please refer to the Company's announcement dated 22 May 2024 for further details); and (c) potential strategic cooperation in relation to product sales and marketing business in the People's Republic of China and Hong Kong (please refer to the announcement made by the Company on 30 May 2024), the Board is not aware of any significant event undertaken by the Group after 31 March 2024 and up to the date of this announcement which would materially affect the Group's operating and financial performance.

AUDIT COMMITTEE

As of the date of this announcement, the audit committee (the "**Audit Committee**") of the Company 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 three other independent non-executive Directors, Mr. Ma Meng, Mr. Li Ruyi and Mr. Cheung Hiu Fung.

The Audit Committee has reviewed together with the management and external auditor the accounting principles and practices and the auditing, internal controls and financial reporting matters of the Group, which includes the review of the audited consolidated financial statements of the Group for the year ended 31 March 2024. The Audit Committee is of the opinion that the financial statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. For the year ended 31 March 2024, the Audit Committee considered the Group's risk management and internal control system as adequate and effective.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group's auditors, Infinity CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Infinity CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by Infinity CPA Limited on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 30 September 2024, the register of members of the Company will be closed from Wednesday, 25 September 2024 to Monday, 30 September 2024, both days inclusive, during which period no transfer of Shares will be registered. Shareholders of the Company are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 24 September 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/haobai/. The annual report of the Company for the year ended 31 March 2024 will be despatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my deep gratitude to our shareholders, clients, business partners, and suppliers for their continuous support. I would also like to express our sincere appreciation to the Group's management and staff for their commitment, contribution and dedication throughout the years.

By order of the Board
Hao Bai International (Cayman) Limited
Shu Zhongwen
Chief Executive Officer and Executive Director

Hong Kong, 28 June 2024

As at the date of this results announcement, the executive Directors are Mr. Shu Zhongwen, Ms. Wong Wing Hung, Mr. Ng Wan Lok, Mr. Wang Xinliang and Mr. Chung Yu Ching; and the independent non-executive Directors are Mr. Ma Meng, Mr. Li Ruyi, Mr. Yuen Wai Keung and Mr. Cheung Hiu Fung.

This results announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting. This results announcement will also be published and remained on the Company’s website at <http://www.irasia.com/listco/hk/haobai/>.