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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____________________to ____________________

333-194748
Commission file number

HotApp Blockchain Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-4742558**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4800 Montgomery Lane, Suite 210 Bethesda MD	**20814**
(Address of principal executive offices)	(Zip Code)

301-971-3940
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☑ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
(Do not check if a smaller reporting company)	Emerging growth company ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate the number of shares outstanding of each the registrant's classes of common stock, as of the latest practicable date. As of November 14, 2018, there were 506,898,576 shares outstanding of the registrant's common stock $0.0001 par value.

Throughout this Report on Form 10-Q, the terms "Company," "we," "us" and "our" refer to HotApp Blockchain Inc., and "our board of directors" refers to the board of directors of HotApp Blockchain Inc.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve a number of risks and uncertainties. Although our forward-looking statements reflect the good faith judgment of our management, these statements can be based only on facts and factors of which we are currently aware. Consequently, forward-looking statements are inherently subject to risks and uncertainties. Actual results and outcomes may differ materially from results and outcomes discussed in the forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking words such as "may," "will," "should," "anticipate," "believe," "expect," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue," or the negative of these terms or other similar expressions. Such forward-looking statements are based on our management's current plans and expectations and are subject to risks, uncertainties and changes in plans that may cause actual results to differ materially from those anticipated in the forward-looking statements. You should be aware that, as a result of any of these factors materializing, the trading price of our common stock may decline. These factors include, but are not limited to, the following:

- the availability and adequacy of capital to support and grow our business;
- economic, competitive, business and other conditions in our local and regional markets;
- actions taken or not taken by others, including competitors, as well as legislative, regulatory, judicial and other governmental authorities;
- competition in our industry;
- changes in our business and growth strategy, capital improvements or development plans;
- the availability of additional capital to support development; and
- other factors discussed elsewhere in this annual report.

The cautionary statements made in this quarterly report are intended to be applicable to all related forward-looking statements wherever they may appear in this report.

We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to publicly update any forward looking-statements, whether as a result of new information, future events or otherwise.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

HOTAPP BLOCKCHAIN INC. (FORMERLY KNOWN AS HOTAPP INTERNATIONAL, INC.)

CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2018 (UNAUDITED) AND DECEMBER 31, 2017

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 66,912	$ 95,038
Accounts receivable-related parties	39,427	89,427
Accounts receivable-trade	10,220	17,914
Prepaid expenses	3,870	7,532
Deposit and other receivable	8,176	8,189
Current assets of discontinued operations	15,370	35,038
TOTAL CURRENT ASSETS	143,975	253,138
Fixed assets, net	8,313	14,628
Non-current assets of discontinued operations	2,320	8,309
TOTAL ASSETS	**$ 154,608**	**$ 276,075**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 35,713	$ 33,141
Accrued taxes and franchise fees	7,742	7,742
Amount due to related parties	987,206	825,107
Current liabilities of discontinued operations	164,485	171,566
TOTAL CURRENT LIABILITIES	1,195,146	1,037,556
TOTAL LIABILITIES	1,195,146	1,037,556
STOCKHOLDERS' (DEFICIT):		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized, 0 issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Common stock, $0.0001 par value, 1,000,000,000 shares authorized, 506,898,576 shares issued and outstanding, as of September 30, 2018 and December 31, 2017	50,690	50,690
Accumulated other comprehensive loss	(198,836)	(289,398)
Additional paid-in capital	4,604,191	4,604,191
Accumulated deficit	(5,496,583)	(5,126,964)
TOTAL STOCKHOLDERS' DEFICIT	(1,040,538)	(761,481)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 154,608**	**$ 276,075**

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

HOTAPP BLOCKCHAIN INC. (FORMERLY KNOWN AS HOTAPP INTERNATIONAL, INC.)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (UNAUDITED)

	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues:				
Project fee-related parties	$ **23,018**	$ **33,694**	$ **115,107**	$ **103,548**
Project fee-others	10,203	48,538	20,408	38,869
	33,221	**82,232**	**135,515**	**142,417**
Cost of revenues	**20,652**	**39,135**	**74,111**	**46,715**
Gross profit	$ **12,569**	$ **43,097**	$ **61,404**	$ **95,702**
Operating expenses:				
Research and product development	$ -	$ -	$ -	$ -
Deposits written off	-	25	-	2,705
Depreciation	2,207	3,954	7,833	9,138
Loss on disposal of fixed assets	-	-	-	131
General and administrative	71,137	123,106	293,161	483,818
Total operating expenses	**73,344**	**127,085**	**300,994**	**495,792**
(Loss) from operations	**(60,775)**	**(83,988)**	**(239,590)**	**(400,090)**
Other income (expenses):				
Interest income	-	-	7	1
Other sundry income	-	-	-	-
Foreign exchange gain (loss)	(3,359)	31,567	(49,773)	147,424
Total other income (expenses)	**(3,359)**	**31,567**	**(49,766)**	**147,425**
Loss before taxes	**(64,134)**	**(52,421)**	**(289,356)**	**(252,665)**
Income tax provision	-	-	-	-
Net income from continuing operations	**(64,134)**	**(52,421)**	**(289,356)**	**(252,665)**
Loss from discontinued operations, net of tax	**(32,143)**	**(75,492)**	**(80,263)**	**(191,262)**
Net loss applicable to common shareholders	$ **(96,277)**	$ **(127,913)**	$ **(369,619)**	$ **(443,927)**
Net loss from continuing operations per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net loss from discontinued operations per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net loss per share - basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted number of shares outstanding - Basic and diluted	506,898,576	506,898,576	506,898,576	214,041,100
Comprehensive Income Loss:				
Net loss	$ (96,277)	$ (127,913)	$ (369,619)	$ (443,927)
Foreign currency translation gain (loss)	21,899	(44,241)	90,562	(165,908)
Total comprehensive loss	$ **(74,378)**	$ **(172,154)**	$ **(279,057)**	$ **(609,835)**

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

HOTAPP BLOCKCHAIN INC. (FORMERLY KNOWN AS HOTAPP INTERNATIONAL, INC.)

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	Preferred Stock		Common		Paid-In	Accumulated Other Comprehensive	Accumulated	Stockholders' Equity
	Shares	Par Value	Shares	Par Value	Capital	Income (Loss)	Deficit	(Deficit)
Balance December 31, 2017	**-**	**$ -**	**506,898,576**	**$ 50,690**	**$ 4,604,191**	**$ (289,398)**	**$ (5,126,964)**	**$ (761,481)**
Net loss for period	-	-	-	-	-	-	(70,645)	(70,645)
Foreign currency translation adjustment	-	-	-	-	-	(59,452)	-	(59,452)
Balance March 31, 2018	**-**	**$ -**	**506,898,576**	**$ 50,690**	**$ 4,604,191**	**$ (348,850)**	**$ (5,197,609)**	**$ (891,578)**
Net loss for period	-	-	-	-	-	-	(202,697)	(202,697)
Foreign currency translation adjustment	-	-	-	-	-	128,115	-	128,115
Balance June 30, 2018	**-**		**$ 506,898,576**	**$ 50,690**	**$ 4,604,191**	**$ (220,735)**	**$ (5,400,306)**	**$ (966,160)**
Net loss for period	-	-	-	-	-	-	(96,277)	(96,277)
Foreign currency translation adjustment	-	-	-	-	-	21,899	-	21,899
Balance September 30, 2018	**-**	**$ -**	**506,898,576**	**$ 50,690**	**$ 4,604,191**	**$ (198,836)**	**$ (5,496,583)**	**$ (1,040,538)**

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

HOTAPP BLOCKCHAIN INC. (FORMERLY KNOWN AS HOTAPP INTERNATIONAL, INC.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (UNAUDITED)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Continuing Operations		
Net Loss including noncontrolling interests	**$ (289,356)**	**$ (252,665)**
Adjustments to reconcile net loss to cash used in operations of Continuing Operations:		
Depreciation	7,833	9,138
Deposit written off	-	2,705
Loss on disposal of fixed asset	-	131
Foreign exchange transaction loss (gain)	49,773	(147,424)
Change in operating assets and liabilities:		
Costs in excess of billings	-	30,332
Accounts receivable-related parties	50,000	(58,088)
Accounts receivable-trade	7,694	(35,848)
Security deposit and other receivable	13	3,628
Prepaid expenses	3,662	(7,199)
Accounts payable and accrued expenses	2,572	(5,102)
Deferred revenue	-	5,377
Net cash used in operating activities	**$ (167,809)**	**$ (455,015)**
Discontinued Operations		
Net Loss from discontinued operations, including noncontrolling interests	**(80,263)**	**(191,262)**
Depreciation	5,989	18,894
Deposit written off	-	-
Loss on disposal of fixed asset	-	-
Foreign exchange transaction loss (gain)	9,123	6,612
Change in operating assets and liabilities:		
Accounts receivable-trade	(2,913)	-
Security deposit and other receivable	279	-
Prepaid expenses	-	2,921
Accounts payable and accrued expenses	(7,081)	(16,990)
Net cash used in operations of Discontinued Operations	**$ (74,866)**	**$ (179,825)**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed asset	(1,518)	(12,529)
Net cash used in investing activities	**$ (1,518)**	**$ (12,529)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Advance from related parties	162,099	719,455
Net cash provided by financing activities	**$ 162,099**	**$ 719,455**
NET (DECREASE)/INCREASE IN CASH	(82,094)	72,086
Effects of exchange rates on cash	31,666	(25,096)
CASH AND CASH EQUIVALENTS at beginning of period	**124,739**	**102,776**
CASH AND CASH EQUIVALENTS at end of period	**$ 74,311**	**$ 149,766**
Supplemental schedule of non-cash investing and financing activities		
Conversion of shareholder loan into common stock	$ -	$ 450,890

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

HOTAPP BLOCKCHAIN INC. (FORMERLY KNOWN AS HOTAPP INTERNATIONAL, INC.)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company History and Nature of the Business

HotApp Blockchain Inc., formerly HotApp International, Inc., (the “Company” or “Group”) was incorporated in the State of Delaware on March 7, 2012 and established a fiscal year end of December 31. The Company’s initial business plan was to be a financial acquisition intermediary which would serve buyers and sellers for companies that are in highly fragmented industries. The Company determined it was in the best interest of the shareholders to expand its business plan. On October 15, 2014, through a sale and purchase agreement (the “Purchase Agreement”) the Company acquired all the issued and outstanding stock of HotApps International Pte Ltd (“HIP”) from Singapore eDevelopment Limited (“SeD”). HIP owned certain intellectual property relating to instant messaging for portable devices (“HotApp”). HotApp is a cross-platform mobile application that incorporates instant messaging and ecommerce. It provides a messaging and calling services for HotApp users (text, photo, audio). Started from a cross platform mobile application that incorporate messaging and eCommerce, HotApp has evolved as a platform service provider with application framework serving vertical industry such as multilevel marketing. The messaging and calling services was terminated in 2017. HotApp can be used on any mobile platform (i.e. IOS Online or Android).

As of September 30, 2018, details of the Company’s subsidiaries are as follows:

Subsidiaries	Date of Incorporation	Place of Incorporation	Percentage of Ownership
1st Tier Subsidiary:			
HotApps International Pte Ltd (“HIP”)	May 23, 2014	Republic of Singapore	100% by Company
Crypto Exchange Inc.	December 15, 2017	State of Nevada, the United States of America	100% by Company
2nd Tier Subsidiaries:			
HWH World Pte. Ltd., formerly Crypto Exchange Pte. Ltd. and HotApps Call Pte Ltd	September 15, 2014	Republic of Singapore	100% owned by HIP
HotApps Information Technology Co Ltd	November 10, 2014	People’s Republic of China	100% owned by HIP
HotApp International Limited*	July 8, 2014	Hong Kong (Special Administrative Region)	100% owned by HIP

* On March 25, 2015, HotApps International Pte Ltd acquired 100% of the issued and outstanding shares of HotApp International Limited.

These financial statements have been prepared using accounting principles generally accepted in the United States of America applicable for a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. Since inception, the Company has incurred net losses of $5,496,583 and has net working capital deficit of $1,051,171 at September 30, 2018. Management has concluded that due to the conditions described above, there is substantial doubt about the entities ability to continue as a going concern through November 14, 2019. We have evaluated the significance of the conditions in relation to our ability to meet our obligations and believe that our current cash balance along with our current operations will not provide sufficient capital to continue operation through 2018. Our ability to continue as a going concern is dependent upon achieving sales growth, the management of operating expenses and the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due, and upon profitable operations.

Our majority shareholder has advised us not to depend solely on them for financing. We have increased our efforts to raise additional capital through equity or debt financings from other sources. However, we cannot be certain that such capital (from our shareholders or third parties) will be available to us or whether such capital will be available on terms that are acceptable to us. Any such financing likely would be dilutive to existing stockholders and could result in significant financial operating covenants that would negatively impact our business. If we are unable to raise sufficient additional capital on acceptable terms, we will have insufficient funds to operate our business or pursue our planned growth.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Note 2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These condensed consolidated financial statements should be read in conjunction with the financial statements and additional information as contained in our Annual Report on Form 10-K for the year ended December 31, 2017. Results of operations for the nine month periods ended September 30, 2018 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2018. The other information in these condensed consolidated financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of HotApp Blockchain Inc. and its subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues, cost and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include revenue recognition, the useful lives and impairment of property and equipment.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of September 30, 2018 and December 31, 2017.

Foreign currency risk

Because of its foreign operations, the Company holds cash in non-US dollars. As of September 30, 2018, cash and cash equivalents of the Group includes, on an as converted basis to US dollars $51,872, $7,399 and $14,102 in Hong Kong Dollars ("HK$"), Reminbi ("RMB") and Singapore Dollars ("S$"), respectively.

The Renminbi ("RMB") is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market.

Concentrations

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash. Although the cash at each particular bank in the United States is insured up to $250,000 by Federal Deposit Insurance Corporation (FDIC), the Group exposes to risk due to its concentration of cash in foreign countries. The Group places their cash with financial institutions with high-credit ratings and quality. The Group also exposes to credit risk due to its concentration for customers with revenue in excess of 10%.

	Total Amount	Related parties Amount	Related parties Percentage	Trade Amount	Trade Percentage
Accounts receivables					
As of September 30, 2018	$ 52,560	$ 39,427	75%	$ 13,133	25%
As of December 31, 2017	$ 107,341	$ 89,427	83%	$ 17,914	17%
Revenue					
For the nine months ended September 30, 2018	$ 142,952	$ 115,107	81%	$ 27,845	19%
For the nine months ended September 30, 2017	$ 186,596	$ 103,548	55%	$ 83,048	45%

Fixed assets, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Office equipment	3 years
Computer equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	10 years

Fair value

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

Revenue recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The Company adopted this new standard on January 1, 2018 under the modified retrospective method to all contracts not completed as of January 1, 2018 and the adoption did not have a material effect on our financial statements but we expanded our disclosures related to contracts with customers below.

Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the Company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers over control of the promised goods or services to its customers. Costs to obtain or fulfill a contract are expensed as incurred.

Disaggregation of Revenue

We generate revenue from the project involving provision of services and web/software development to customers. In respect to the provision of services, the agreement span over the length of one year with cancellable clause and are typically billed on a monthly basis. The following table depicts the disaggregation of revenue according to revenue type and is consistent with how we evaluate our financial performance:

	For the nine months ended September 30, 2018		
Segments	**Provision of Services**	**Web / Software Development**	**Total**
Primary Geographical Markets			
North America	$ 115,107	$ -	$ 115,107
Asia	-	27,845	27,845
	$ 115,107	$ 27,845	$ 142,952
Timing of Revenue Recognition			
Goods transferred at a point in time	$ -	$ 27,845	$ 27,845
Services transferred over time	115,107	-	115,107
	$ 115,107	$ 27,845	$ 142,952

	For the nine months ended September 30, 2017		
Segments	**Provision of Services**	**Web / Software Development**	**Total**
Primary Geographical Markets			
North America	$ -	$ 103,548	$ 103,548
Asia	48,521	34,527	83,048
	$ 48,521	$ 138,075	$ 186,596
Timing of Revenue Recognition			
Goods transferred at a point in time	$ -	$ 138,075	$ 138,075
Services transferred over time	48,521	-	48,521
	$ 48,521	$ 138,075	$ 186,596

Contract assets and contract liabilities

Based on our contracts, we normally invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities under ASC 606. Accounts receivable are recorded when the right to consideration becomes unconditional.

Remaining performance obligations

As of September 30, 2018, the aggregate amount of the transaction price allocated to the remaining performance obligation is $5,110, and the Group will recognize this revenue as the web development is completed, which is expected to occur over the next 3 months.

Research and development expenses

Research and development expenses primarily consist of salaries and benefits for research and development personnel. The Company's research and development activities primarily consist of the research and development of new features for its mobile platform and its self-developed mobile games. Expenditures incurred during the research phase are expensed as incurred.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current based on their characteristics.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the period ended September 30, 2018 or 2017, respectively.

Uncertainties exist with respect to the application of the New EIT Law to our operations, specifically with respect to our tax residency. The New EIT Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their "de facto management bodies" as "establishments that carry on substantial and overall management and control over the operations, personnel, accounting, properties, etc. of the Company." Because of the uncertainties that have resulted from limited PRC guidance on the issue, it is uncertain whether our legal entities outside the PRC constitute residents under the New EIT Law. If one or more of our legal entities organized outside the PRC were characterized as PRC residents, the impact would adversely affect our results of operations.

Foreign currency translation

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The functional and reporting currency of the Company is the United States dollar ("U.S. dollar"). The financial records of the Company's subsidiaries located in Singapore, Hong Kong and the PRC are maintained in their local currencies, the Singapore Dollar (S$), Hong Kong Dollar (HK$) and Renminbi ("RMB"), which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statement of operations.

The Company's entities with functional currency of Renminbi, Hong Kong Dollar and Singapore Dollar, translate their operating results and financial positions into the U.S. dollar, the Company's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of comprehensive income (loss).

For the three and nine months ended September 30, 2018, the Company recorded other comprehensive income from translation gain of $21,899 and $90,562 in the consolidated financial statements. For the three and nine months ended September 30, 2017, the Company recorded other comprehensive income from translation loss of $44,241 and $165,908 in the consolidated financial statements.

Operating leases

Leases where the rewards and risks of ownership of assets primarily remain with the lessor are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease periods.

Comprehensive income (loss)

Comprehensive income (loss) includes gains (losses) from foreign currency translation adjustments. Comprehensive income (loss) is reported in the consolidated statements of operations and comprehensive loss.

Loss per share

Basic loss per share is computed by dividing net loss attributable to shareholders by the weighted average number of shares outstanding during the period.

The Company's convertible preferred shares are not participating securities and have no voting rights until converted to common stock. As of September 30, 2018, no shares of preferred stock are eligible for conversion into voting common stock.

As of September 30, 2018, there are no potentially dilutive securities that were excluded from the computation of diluted EPS.

Recent accounting pronouncements not yet adopted

On Feb. 25, 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2016-02, Leases (Topic 842) (the Update). The new leasing standard presents dramatic changes to the balance sheets of lessees. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the potential impacts of this Update.

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from accumulated Other Comprehensive Income, or ASU 2018-02, which requires the reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects arising from the change in the reduction of the U.S. federal statutory income tax rate to 21% from 35%. ASU 2018-02 is effective for interim and annual periods beginning after December 15, 2018. We will adopt ASU 2018-02 on January 1, 2019. The Company is currently evaluating the potential impacts of this Update.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently evaluating the potential impacts of this Update.

Note 3. FIXED ASSETS, NET

Fixed assets, net consisted of the following:

	September 30, 2018	December 31, 2017
Computer equipment	$ 78,078	$ 76,662
Office equipment	22,945	22,843
Furniture and fixtures	10,599	10,599
	$ 111,622	$ 110,104
Less: accumulated depreciation	(100,989)	(87,167)
Fixed assets, net	$ 10,633	$ 22,937

Depreciation expenses charged to the consolidated statements of operations for the three months ended September 30, 2018 and 2017 were $3,400 and $9,965, respectively. Depreciation expenses charged to the consolidated statements of operations for the nine months ended September 30, 2018 and 2017 were $13,822 and $28,032, respectively.

Note 4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2018	December 31, 2017
Accrued payroll & benefits	$ 173,250	$ 170,915
Accrued professional fees	18,532	20,666
Other	8,416	13,126
Total	$ 200,198	$ 204,707

Note 5. SHARE CAPITALIZATION

The Company is authorized to issue 1 billion shares of common stock and 15 million shares of preferred stock. The authorized share capital of the Company's common stock was increased from 500 million to 1 billion on May 5, 2017. Both share types have a $0.0001 par value. As of September 30, 2018 and December 31, 2017, the Company had issued and outstanding, 506,898,576 of common stock, and 0 shares of preferred stock.

Common Shares:

Pursuant to the Purchase Agreement, dated October 15, 2014, the Company issued 1,000,000 shares of common stock to SeD. Such amount represented 19% ownership in the Company.

On July 13, 2015, Singapore eDevelopment Limited ("SeD") acquired 777,687 shares of the Company common stock by converting outstanding loans made to the Company into common stock of the Company at a rate of $5.00 per share (rounded to the nearest full share). After such transactions SeD owned 98.17% of the Company.

On March 27, 2017, the Company entered into a Loan Conversion Agreement with SeD, pursuant to which SeD agreed to convert $450,890 of debt owed by Company to SeD into 500,988,889 common shares at a conversion price of $0.0009. The captioned shares were issued on June 9, 2017, and SeD owned 99.979% of the Company after such transactions.

Preferred Shares:

Pursuant to the Purchase Agreement, dated October 15, 2014, the Company issued 13,800,000 shares of a class of preferred stock called Perpetual Preferred Stock ("Preferred Stock") to SeD . The Preferred Stock has no dividend or voting rights. The Preferred Stock is convertible to common stock of the Company dependent upon the number of commercial users of the Software. For each 1,000,000 commercial users of the Software (without duplication), SeD shall have the right to convert 1,464,000 shares of Perpetual Preferred Stock into 7,320,000 shares of Common Stock, so that there must be a minimum of 9,426,230 commercial users in order for all of the shares of the Perpetual Preferred Stock to be converted into common stock of the Company (13,800,000 shares of Preferred Stock convertible into 69,000,000 shares of common stock).

On March 27, 2017, SeD and the Company entered into a Preferred Stock Cancellation Agreement, by which SeD agreed to cancel its 13,800,000 shares Perpetual Preferred Stock issued by the Company. On June 8, 2017, a Certificate of Retirement for 13,800,000 shares of the Perpetual Preferred Stock has been filed to the office of Secretary of State of the State of Delaware.

Other than the conversion rights described above, the Preferred Stock has no voting, dividend, redemption or other rights.

Note 6. EQUITY INCENTIVE PLAN

On July 30, 2018, the Company adopted the Equity Incentive Plan (the "Equity Plan"). The Equity Plan is intended to encourage ownership of shares of common stock by employees, directors, and certain consultants to the Company in order to attract and retain such people and, to induce them to work for the benefit of the Company. The Equity Plan provides for the grant of options and/or other stock-based or stock-denominated awards. Subject to adjustment in accordance with the terms of the Equity Plan, 50,000,000 shares of Common Stock of the Company have been reserved for issuance pursuant to awards under the Equity Plan. The Equity Plan will be administered by the Company's Board of Directors. This Equity Plan shall terminate ten (10) years from the date of its adoption by the Board of Directors.

Note 7. DISCONTINUED OPERATIONS

The composition of assets and liabilities included in discontinued operations was as follows:

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 7,399	$ 29,701
Accounts receivable-trade	2,913	-
Deposit and other receivable	5,058	5,337
TOTAL CURRENT ASSETS	15,370	35,038
Fixed assets, net	2,320	8,309
TOTAL ASSETS	**$ 17,690**	**$ 43,347**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 164,485	$ 171,566
TOTAL CURRENT LIABILITIES	164,485	171,566
TOTAL LIABILITIES	**$ 164,485**	**$ 171,566**

The aggregate financial results of discontinued operations were as follows:

	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues:				
Project fee-others	$ -	$ -	$ 7,437	$ 44,179
	-	**-**	**7,437**	**44,179**
Cost of revenues	**-**	**-**	**4,596**	**9,071**
Gross profit	**$ -**	**$ -**	**$ 2,841**	**$ 35,108**
Operating expenses:				
Research and product development	$ -	$ 59,242	$ -	$ 162,013
Depreciation	1,193	6,011	5,989	18,894
General and administrative	21,279	11,404	68,413	38,851
Total operating expenses	**22,472**	**76,657**	**74,402**	**219,758**
(Loss) from operations	**(22,472)**	**(76,657)**	**(71,561)**	**(184,650)**
Other income (expenses):				
Other sundry income	81	-	421	-
Foreign exchange gain (loss)	(9,752)	1,165	(9,123)	(6,612)
Total other income (expenses)	**(9,671)**	**1,165**	**(8,702)**	**(6,612)**
Loss from discontinued operations	**$ (32,143)**	**$ (75,492)**	**$ (80,263)**	**$ (191,262)**

Note 8. COMMITMENTS AND CONTINGENCIES

On May 9, 2016, the Company entered into a lease agreement for 1,231 square feet of office space in Guangzhou, China. The lease commenced on May 9, 2016 and runs through May 8, 2018 with monthly payments of $2,366. The Company has renewed the lease agreement for another year until May 29, 2019 with monthly payments of $2,484. The Company was required to put up a security deposit of $4,498. For the nine months ended September 30, 2018, the Company recorded rent expense of $21,883 for the Guangzhou office.

On April 10, 2015, the Company entered into a lease agreement for 347 square feet of office space in Kowloon, Hong Kong. This lease commenced on April 20, 2015 and runs through April 19, 2017 with monthly payments of $2,574. The Company was required to put up a security deposit of $5,147. On March 16, 2017, the Company entered into a lease agreement for 1,504 square feet of office space in Kowloon, Hong Kong. This lease commenced on March 16, 2017 and runs through March 31, 2019 with monthly payments of $3,253. The Company was required to put up a security deposit of $6,515. For the three and nine months ended September 30, 2018, the Company recorded rent expense of $10,577 and $30,894 for the office. For the three and nine months ended September 30, 2017, the Company recorded rent expense of $12,043 and $31,561 for the office. The lease was terminated on September 30, 2018 and the security deposit is expected to be returned in the coming quarter.

The following is a schedule by years of future minimum lease payments under non-cancellable operating leases:

2018	$	7,452
2019		4,968
Total	$	12,420

Note 9. RELATED PARTY BALANCES AND TRANSACTIONS

The Company's Acting Chief Executive Officer, Mr. Chan Heng Fai is also the Chief Executive Officer of SeD. SeD is the majority shareholder of the Company. As of the date of this report, the Company has not entered into any employment arrangement with any director or officer.

On March 1, 2018, the Company's subsidiary HotApp International Ltd. entered into an Outsource Technology Development Agreement (the "Agreement") with Document Security Systems, Inc. ("Document Security Systems"), which may be terminated by either party on 30-days' notice. The purpose of the Agreement is to facilitate Document Security Systems' development of a software application to be included as part of Document Security Systems' AuthentiGuard® Technology suite. Under this agreement, Document Security Systems agreed to pay $23,000 per month for access to HotApp International Ltd.'s software programmers. The agreement was terminated on July 31, 2018. Mr. Chan Heng Fai is a member of the Company's Board of Directors and, through his control of the Company's majority shareholder, the beneficial owner of a majority of the Company's common stock. Mr. Chan is also a member of the Board of Document Security Systems and a shareholder of Document Security Systems. The agreement was terminated on July 31, 2018.

As of September 30, 2018, the Company has amount due to SeD for $981,951, plus an amount due to a director of $5,255 and has an amount due from an affiliate for $2,192. The Company has made full impairment provision for the amount due from the affiliate.

The account receivable as of September 30, 2018 included a trade receivable from an affiliate by common ownership amounting to $39,428 resulting from the revenue earned from that affiliate during the year 2017.

On October 25, 2018, HotApps International Pte. Ltd. ("HotApps International"), a wholly owned subsidiary of the Company entered into an Equity Purchase Agreement with DSS Asia Limited ("DSS Asia"), a Hong Kong subsidiary of DSS International Inc. ("DSS International"), pursuant to which HotApps International will sell to DSS Asia all of the issued and outstanding shares of Guangzhou HotApps Technology Ltd. ("Guangzhou HotApps"). Mr. Chan Heng Fai is the Acting Chief Executive Officer and a Member of the Board of Directors of the Company. He is also the Chief Executive Officer, Chairman and controlling shareholder of Singapore eDevelopment Limited, the majority shareholder of the Company. Mr. Chan is also the Chief Executive Officer and Chairman of DSS International and a significant shareholder and a member of the Board of Document Security Systems Inc., which is the sole owner of DSS International. Mr. Chan Heng Fai is also a member of the Board of Directors of Document Security Systems and a shareholder of Document Security Systems. Lum Kan Fai, a member of the Board of Directors of the Company, is also an employee of DSS International. The closing of the Equity Purchase Agreement is subject to conditions and the parties expect to close in 2018. Guangzhou HotApps is primarily engaged in engineering work for software development, mainly voice over internet protocol. Guangzhou HotApps is also involved in a number of outsourcing projects, including projects related to real estate and lighting. The purchase price for this transaction is $100,000, which shall be paid in the form of a two-year, interest free, unsecured, demand promissory note in the principal amount of $100,000. The note shall be due and payable in full on two years from the closing of the Equity Purchase Agreement.

Note 10. SUBSEQUENT EVENTS

On October 25, 2018, HotApps International Pte. Ltd. ("HotApps International"), a wholly owned subsidiary of the Company entered into an Equity Purchase Agreement with DSS Asia Limited ("DSS Asia"), a Hong Kong subsidiary of DSS International Inc. ("DSS International"), pursuant to which HotApps International will sell to DSS Asia all of the issued and outstanding shares of Guangzhou HotApps Technology Ltd. ("Guangzhou HotApps"). Mr. Chan Heng Fai is the Acting Chief Executive Officer and a Member of the Board of Directors of the Company. He is also the Chief Executive Officer, Chairman and controlling shareholder of Singapore eDevelopment Limited, the majority shareholder of the Company. Mr. Chan is also the Chief Executive Officer and Chairman of DSS International and a significant shareholder and a member of the Board of Document Security Systems Inc., which is the sole owner of DSS International. Mr. Chan Heng Fai is also a member of the Board of Directors of Document Security Systems and a shareholder of Document Security Systems. Lum Kan Fai, a member of the Board of Directors of the Company, is also an employee of DSS International. The closing of the Equity Purchase Agreement is subjectto conditions and the parties expect to close in 2018. Guangzhou HotApps is primarily engaged in engineering work for software development, mainly voice over internet protocol. Guangzhou HotApps is also involved in a number of outsourcing projects, including projects related to real estate and lighting. The purchase price for this transaction is $100,000, which shall be paid in the form of a two-year, interest free, unsecured, demand promissory note in the principal amount of $100,000. The note shall be due and payable in full on two years from the closing of the Equity Purchase Agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained in this Form 10-Q involve risks and uncertainties, including statements as to:

1. our future operating results;
2. our business prospects;
3. any contractual arrangements and relationships with third parties;
4. the dependence of our future success on the general economy;
5. any possible financings; and
6. the adequacy of our cash resources and working capital.

These forward-looking statements can generally be identified as such because the context of the statement will include words such as we "believe," "anticipate," "expect," "estimate" or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of filing of this Form 10-Q. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of filing of this Form 10-Q, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those anticipated in these forward-looking statements.

Background

HotApp Blockchain Inc., formerly HotApp International, Inc., (the "Company" or "Group") was incorporated in the State of Delaware on March 7, 2012 and established a fiscal year end of December 31. The Company's initial business plan was to be a financial acquisition intermediary which would serve buyers and sellers for companies that are in highly fragmented industries. The Company determined it was in the best interest of the shareholders to expand its business plan. On October 15, 2014, through a sale and purchase agreement (the "Purchase Agreement") the Company acquired all the issued and outstanding stock of HotApps International Pte Ltd (the "HIP") from Singapore eDevelopment Limited ("SeD"). HIP owned certain intellectual property relating to instant messaging for portable devices (the "HotApp"). HotApp is a cross-platform mobile application that incorporates instant messaging and ecommerce. It provides a messaging and calling services for HotApp users (text, photo, audio). Started from a cross platform mobile application that incorporate messaging and eCommerce, HotApp has evolved as a platform Service provider with application framework serving vertical industry such as multilevel Marketing. The messaging and calling services has been terminated in 2017. HotApp can be used on any mobile platform (i.e. IOS Online or Android). On 1 January 2018, the Company's new subsidiary, Crypto Exchange Inc., has issued 1,000 shares of its common stock to the Company.

As of September 30, 2018, details of the Company's subsidiaries are as follows:

Subsidiaries	Date of Incorporation	Place of Incorporation	Percentage of Ownership
1st Tier Subsidiary:			
HotApps International Pte Ltd ("HIP")	May 23, 2014	Republic of Singapore	100% by Company
Crypto Exchange Inc.	December 15, 2017	State of Nevada, the United States of America	100% by Company
2nd Tier Subsidiaries:			
HWH World Pte. Ltd., formerly Crypto Exchange Pte. Ltd. and HotApps Call Pte Ltd	September 15, 2014	Republic of Singapore	100% owned by HIP
HotApps Information Technology Co Ltd	November 10, 2014	People's Republic of China	100% owned by HIP
HotApp International Limited*	July 8, 2014	Hong Kong (Special Administrative Region)	100% owned by HIP

* On March 25, 2015, HotApps International Pte Ltd acquired 100% of the issued and outstanding shares of HotApp International Limited.

The Group has relied significantly on SeD as its principal sources of funding during the year. With the restructuring efforts in 2016, HotApp has reduced its expense runway significantly and had revamped its business model and technology platform to focus on business-to-business ("B2B") services, built around enterprise communications and workflow. Its product line will target these industries: (i) network and direct marketing; (ii) enterprise Voice-over-IP; (iii) enterprise messaging; and (iv) e-commerce. This strategic shift is intended to create commercial value with a sharper focus.

Our Business

HotApp Blockchain Inc.is positioned as a technology platform serving Business to Business (B2B) need in eCommerce, collaboration and supply chain, the company has built a number of reusable application modules and framework. These properties will help enterprises and community users to transform their business model with digital economy in a more effective manner. With our platform, users can discover and build their own communities and create valuable content. Our platform tools empower these communities to share their thoughts and words across multiple channels. As these communities grow, they provide the critical mass that attracts enterprises. Enterprises in turn enhance user experience with premium contents, all of which are facilitated by the transactions of every stakeholder via e-commerce.

Trends in the Market and Our Opportunity

Digital and mobile technologies are reshaping the B2B marketplace. This isn't only a technological revolution, it's also a paradigm shift in how B2B buyers consume content, make informed buying decisions, and engage with sales people.
A report by Statista on B2B eCommerce in 2017 has estimated $2.3 trillion B2C sales online while for B2B it is $7.7 trillion with a 234.78% difference. The reasons behind the dominance of B2B are:

- The rise of self-service: 57% B2B customers use typical purchase process for accomplishing proactive research online.
- The simplified ordering experiences: The wholesale customers on B2B portals find simplified interface compared to a number of bells & whistles required on the B2C e-commerce sites.

Mobile is increasingly playing a critical role in the B2B customer journey. In fact, 50% of B2B search queries today are made on smartphones. A research from Boston Consulting Group expects that figure to grow to 70% by 2020.

Based upon the above trends, we believe significant opportunities exist for:

- Enterprises deploying mobile platform to effectively engage different stakeholders.
- User Experience in Mobile Commerce is one of the critical success factor, HotApp has been able to capitalize our experience in B2C and apply to B2B world.
- Enterprises to increase usage of Over-The-Top Services, such as adoption of Enterprise messaging Apps alongside with using of email, video and audio conferencing, collaboration through cloud services, as a new medium for different stakeholder engagement including customers, to promote and market their products and services (Collaboration Framework). HotApp's approach in white labelling for the enterprises will augment and fill this demand in the market. White label refers to packaging HotApp solution under brand name of clients with some content being customized only for clients.
- Industries such as Network Marketing and Hospitality and Franchising businesses are utilizing Mobile friendly solutions to reach out effectively to their marketing network on a global basis.
- Application of blockchain technology is no longer confined in the Financial industry, enterprises are looking to blockchain as a way to address product diversion, counterfeiting and track and trace solution. These applications become a major building block of B2B commerce.

Recent Developments

Outsource Technology Development Agreement

On March 1, 2018, the Company's subsidiary HotApp International Ltd. entered into an Outsource Technology Development Agreement (the "Agreement") with Document Security Systems, Inc. ("Document Security Systems"), which may be terminated by either party on 30-days' notice. The purpose of the Agreement is to facilitate Document Security Systems' development of a software application to be included as part of Document Security Systems' AuthentiGuard® Technology suite. Under this agreement, Document Security Systems agreed to pay $23,000 per month for access to HotApp International Ltd.'s software programmers. The agreement was terminated on July 31, 2018. Mr. Chan Heng Fai is a member of the Company's Board of Directors and, through his control of the Company's majority shareholder, the beneficial owner of a majority of the Company's common stock. Mr. Chan is also a member of the Board of Document Security Systems and a shareholder of Document Security Systems.

Our Plan of Operations and Growth Strategy

We believe that we have significant opportunities to further enhance the value we deliver to our users. We intend to pursue the following growth strategy:

- Continual focus in Business to Business market
- Engage Mobile App Integration Opportunities for Enterprises globally through "Powered by HotApp" initiatives, enabling Offline businesses to go On Line (O2O) with HotApp technology support.
- Identify Strategic Partnership Opportunities globally through "Powered by HotApp" initiatives, enabling Mobile B2B commerce.
- Position HotApp as the technology consultant and project manager for ICO initiatives in Asia.
- Expand the service portfolio to blockchain / smart contract design and implementation in supply chain network

Results of Operations

Summary of Key Results

For the unaudited three months period ending September 30, 2018 and 2017

Revenue

Revenue consist primarily of the service rendered on projects which require significant software production. Total revenue for the three months ended September 30, 2018 and 2017 were $33,221 and $82,232, including $23,018 and $33,694 from related parties respectively. There were two projects undergoing for the three months ended September 30, 2018 and 2017 respectively. Both projects went through the whole quarter ended September 30, 2017; while one of the projects has terminated by end of July 2018.

Cost of revenue

Cost of revenue consist primarily of salary and outside consulting expenses incurred directly to the projects. Total cost of revenue for the three months ended September 30, 2018 and 2017 were $20,652 and $39,135, respectively.

Research and Development Expense

Research and development expenses consists primarily of salary and benefits. Expenditures incurred during the research phase are expensed as incurred. We expect our research and development expenses to maintain with moderate changes in line with business activities. Total research and development for the three months ended September 30, 2018 and 2017 were $0 and $59,242, respectively. The decrease was a result from the streamlining and restructuring of Company.

General and Administrative

General and administrative expenses consist primarily of salary and benefits, professional fees and rental expense. We expect our general and administrative expenses to maintain with moderate changes in line with business activities. Total general and administrative expenses for the three months ended September 30, 2018 and 2017 were $95,816 and $144,475, respectively.

Other (Expense) / Income

In the three months ended September 30, 2018 and 2017, we have incurred $(13,111) and $32,732 in foreign exchange (loss) gain, $0 and $(25) for the deposits written off and $81 and $0 in other sundry income.

For the unaudited nine months period ending September 30, 2018 and 2017

Revenue

Revenue consist primarily of the service rendered on projects which require significant software production. Total revenue for the nine months ended September 30, 2018 and 2017 were $142,952 and $186,596, including $115,107 and $103,548 from related parties respectively.

Cost of revenue

Cost of revenue consist primarily of salary and outside consulting expenses incurred directly to the projects. Total cost of revenue for the nine months ended September 30, 2018 and 2017 were $78,707 and $55,786, respectively.

Research and Development Expense

Research and development expenses consists primarily of salary and benefits. Expenditures incurred during the research phase are expensed as incurred. Total research and development for the nine months ended September 30, 2018 and 2017 were $0 and $162,013, respectively. The decrease was a result from the streamlining and restructuring of Company.

General and Administrative

General and administrative expenses consist primarily of salary and benefits, professional fees and rental expense. We expect our general and administrative expenses to maintain with moderate changes in line with business activities. Total general and administrative expenses for the nine months ended September 30, 2018 and 2017 were $375,396 and $550,701, respectively.

Other (Expense) / Income

In the nine months ended September 30, 2018 and 2017, we have incurred $0 and $(2,705) for the deposits written off, $0 and $131 for loss on disposal of fixed assets, and $(58,896) and $140,812 in foreign exchange (loss) gain, $7 and $1 in interest income and $421 and $0 in other sundry income.

Liquidity and Capital Resources

At September 30, 2018, we had cash of $74,311 and working capital deficit of $1,051,171. Cash had decreased during the nine months ended September 30, 2018 primarily due to operating losses incurred during the quarter.

We had a total stockholders' deficit of $1,040,538 and an accumulated deficit of $5,496,583 as of September 30, 2018 compared with a total stockholders' deficit of $761,481 and an accumulated deficit of $5,126,964 as of December 31, 2017. This difference is primarily due to the net loss incurred during the period.

For the nine months ended September 30, 2018, we recorded a net loss of $369,619.

We had net cash used in operating activities of $242,675 for the nine months ended September 30, 2018. We had a positive change of $54,781 due to accounts receivable, a positive change of $292 due to security deposit and other receivables, and a positive change of $3,662 due to prepaid expenses. We had a negative change of $4,509 due to accounts payable and accrued expenses.

For the nine months ended September 30, 2017, we recorded a net loss of $443,927.

We had net cash used in operating activities of $634,840 for the nine months ended September 30, 2017. We had a negative change of $63,604 due to costs in excess of billings and account receivable, a positive change of $3,628 due to security deposit and other receivables, and a negative change of $4,278 due to prepaid expenses. We had a negative change of $22,092 due to accounts payable and accrued expenses, and a positive change of $5,377 due to deferred revenue.

For the nine months ended September 30, 2018, we spent $1,518 on the acquisition of fixed assets, resulting in net cash used in investing activities of $1,518 for the period.

For the nine months ended September 30, 2017, we spent $12,529 on the acquisition of fixed assets, resulting in net cash used in investing activities of $12,529 for the period.

For the nine months ended September 30, 2018, we had net cash provided by financial activities of $162,099 due to advances from an affiliate.

For the nine months ended September 30, 2017, we had net cash provided by financial activities of $719,455 due to advances from an affiliate.

As of September 30, 2018, we have fixed operating office lease agreements for Guangzhou's office amounting to $12,420 from 2018 to 2019.

We will need to raise additional capital through equity or debt financings. However, we cannot be certain that such capital (from SeD or third party) will be available to us or whether such capital will be available on terms that are acceptable to us. Any such financing likely would be dilutive to existing shareholders and could result in significant financial and operating covenants that would negatively impact our business. If we are unable to raise sufficient additional capital on acceptable terms, we will have insufficient funds to operate our business and pursue our business plan.

Consistent with Section 144 of the Delaware General Corporation Law, it is our current policy that all transactions between us and our officers, directors and their affiliates will be entered into only if such transactions are approved by a majority of the disinterested directors, are approved by vote of the stockholders, or are fair to us as corporation as of the time it is authorized, approved or ratified by the board. We will conduct an appropriate review of all related party transactions on an ongoing basis.

Critical Accounting Policies

Our discussion and analysis of the financial condition and results of operations are based upon the Company's financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. Certain of these critical accounting policies affect working capital account balances, including the policies for revenue recognition, allowance for doubtful accounts, inventory reserves and income taxes. These policies require that we make estimates in the preparation of our financial statements as of a given date.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Revenue recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The Company adopted this new standard on January 1, 2018 under the modified retrospective method to all contracts not completed as of January 1, 2018 and the adoption did not have a material effect on our financial statements but we expanded our disclosures related to contracts with customers below.

Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the Company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers over control of the promised goods or services to its customers. Costs to obtain or fulfill a contract are expensed as incurred.

Disaggregation of Revenue

We generate revenue from the project involving provision of services and web/software development to customers. In respect to the provision of services, the agreement span over the length of one year with cancellable clause and are typically billed on a monthly basis. The following table depicts the disaggregation of revenue according to revenue type and is consistent with how we evaluate our financial performance:

	For the nine months ended September 30, 2018		
Segments	**Provision of Services**	**Web / Software Development**	**Total**
Primary Geographical Markets			
North America	$ 115,107	$ -	$ 115,107
Asia	-	27,845	27,845
	$ 115,107	$ 27,845	$ 142,952
Timing of Revenue Recognition			
Goods transferred at a point in time	$ -	$ 27,845	$ 27,845
Services transferred over time	115,107	-	115,107
	$ 115,107	$ 27,845	$ 142,952

Segments	For the nine months ended September 30, 2017		
	Provision of Services	Web / Software Development	Total
Primary Geographical Markets			
North America	$ -	$ 103,548	$ 103,548
Asia	48,521	34,527	83,048
	$ 48,521	$ 138,075	$ 186,596
Timing of Revenue Recognition			
Goods transferred at a point in time	$ -	$ 138,075	$ 138,075
Services transferred over time	48,521	-	48,521
	$ 48,521	$ 138,075	$ 186,596

Contract assets and contract liabilities

Based on our contracts, we normally invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities under ASC 606. Accounts receivable are recorded when the right to consideration becomes unconditional.

Remaining performance obligations

As of September 30, 2018, the aggregate amount of the transaction price allocated to the remaining performance obligation is $5,110, and the Group will recognize this revenue as the web development is completed, which is expected to occur over the next 3 months.

Research and development expenses

Research and development expenses primarily consist of (i) salaries and benefits for research and development personnel, and (ii) office rental, general expenses and depreciation expenses associated with the research and development activities. The Company's research and development activities primarily consist of the research and development of new features for its mobile platform and its self-developed mobile games. Expenditures incurred during the research phase are expensed as incurred.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current based on their characteristics.

Uncertainties exist with respect to the application of the New EIT Law to our operations, specifically with respect to our tax residency. The New EIT Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their "de facto management bodies" as "establishments that carry on substantial and overall management and control over the operations, personnel, accounting, properties, etc. of the Company." Because of the uncertainties resulted from limited PRC guidance on the issue, it is uncertain whether our legal entities outside the PRC constitute residents under the New EIT Law. If one or more of our legal entities organized outside the PRC were characterized as PRC residents, the impact would adversely affect our results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10(f)(1) of Regulation S-K, the Company is not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

(a) Evaluation of Disclosure Controls and Procedures

Based on the evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SECs") rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in the Company’s Internal Controls over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not a party to any legal proceedings. Management is not aware of any legal proceedings proposed to be initiated against us. However, from time to time, we may become subject to claims and litigation generally associated with any business venture operating in the ordinary course.

ITEM 1A. RISK FACTORS

Not applicable to a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits filed with this Form 10-Q Quarterly Report:

Exhibit Number	Description
10.1	Guangzhou HotApp Equity Purchase Agreement
31.1	Certification of Acting Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBXRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extenstion Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOTAPP BLOCKCHAIN INC.

Date: November 14, 2018

By: /s/ Chan Heng Fai

Chan Heng Fai
Acting Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2018

By: /s/ Lui Wai Leung, Alan

Lui Wai Leung, Alan
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)