10-Q 1 hott_10q.htm QUARTERLY REPORT

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 March 31, 2020

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

Securities registered pursuant to Section 12(b) of the Act: None

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 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 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 ☐
	Smaller reporting company ☑
Non-accelerated filer ☐	Emerging growth company ☐

(Do not check if a smaller reporting 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 May 13, 2020, 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.

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PART I FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

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HOTAPP BLOCKCHAIN INC.

CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2020 (UNAUDITED) AND DECEMBER 31, 2019

	March 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 51,768	$ 55,752
Accounts receivable-related parties, net of allowance	-	-
Accounts receivable-trade, net of allowance	-	-
Promissory note-related parties	100,000	100,000
TOTAL CURRENT ASSETS	151,768	155,752
Other non-current assets	102	102
TOTAL ASSETS	**$ 151,870**	**$ 155,854**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 21,702	$ 18,561
Accrued taxes	7,742	7,742
Amount due to related parties	1,335,912	1,401,871
TOTAL CURRENT LIABILITIES	1,365,356	1,428,174
TOTAL LIABILITIES	1,365,356	1,428,174
STOCKHOLDERS' (DEFICIT):		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized, 0 issued and outstanding as of March 31, 2020 and December 31, 2019	-	-
Common stock, $0.0001 par value, 1,000,000,000 shares authorized, 506,898,576 shares issued and outstanding, as of March 31, 2020 and December 31, 2019	50,690	50,690
Accumulated other comprehensive loss	(140,753)	(310,293))
Additional paid-in capital	4,604,191	4,604,191
Accumulated deficit	(5,727,614)	(5,616,908)
TOTAL STOCKHOLDERS' DEFICIT	(1,213,486)	(1,272,320)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 151,870**	**$ 155,854**

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

HOTAPP BLOCKCHAIN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (UNAUDITED)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenues	**$ -**	**$ -**
Cost of revenues	**-**	**-**
Gross profit	**$ -**	**$ -**
Operating expenses:		
Depreciation	$ -	$ -
General and administrative	18,049	151,205
Total operating expenses	**18,049**	**151,205**
(Loss) from operations	**(18,049)**	**(151,205)**
Other income (loss):		
Interest income	1	9
Foreign exchange (loss) gain	(92,658)	8,174
Gain on disposal of subsidiary	-	299,255
Total other income	**(92,657)**	**307,438**
Income (Loss) before taxes from continuing operations	**(110,706)**	**156,233**
Income tax provision	-	-
Net income (loss) from continuing operations	**(110,706)**	**156,233**
Loss from discontinued operations, net of tax	**-**	**(3,712)**
Net income (loss) applicable to common shareholders	**$ (110,706)**	**$ 152,521**
Net income (loss) from continuing operations per share - basic and diluted	$ (0.00)	$ (0.00)
Net loss from discontinued operations per share - basic and diluted	$ (0.00)	$ (0.00)
Net income (loss) per share - basic and diluted	$ (0.00)	$ (0.00)
Weighted number of shares outstanding - Basic and diluted	506,898,576	506,898,576
Comprehensive Income (Loss):		
Net (loss) income	$ (110,706)	$ 152,521
Foreign currency translation gain (loss)	169,540	(47,392)
Total comprehensive income (loss)	**$ 58,834**	**$ 105,129**

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

HOTAPP BLOCKCHAIN INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (UNAUDITED)

	Common Shares	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity (Deficit)
Balance December 31, 2019	**506,898,576**	**$ 50,690**	**$4,604,191**	**$ (310,293)**	**$(5,616,908)**	**$(1,272,320)**
Net income for period	-	-	-	-	(110,706)	(110,706)
Foreign currency translation adjustment	-	-	-	169,540	-	169,540
Balance March 31, 2020	**506,898,576**	**$ 50,690**	**$4,604,191**	**$ (140,753)**	**$(5,727,614)**	**$(1,213,486)**

	Common Shares	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity (Deficit)
Balance December 31, 2018	**506,898,576**	**$ 50,690**	**$4,604,191**	**$ (225,119)**	**$(5,623,034)**	**$(1,193,272)**
Net income for period	-	-	-	-	152,521	152,521
Foreign currency translation adjustment	-	-	-	(47,392)	-	(47,392)
Balance March 31, 2019	**506,898,576**	**$ 50,690**	**$4,604,191**	**$ (272,511)**	**$(5,470,513)**	**$(1,088,143)**

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

HOTAPP BLOCKCHAIN INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (UNAUDITED)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss) including noncontrolling interests from continuing operations:	**$ (110,706)**	**$ 156,233**
Net (Loss) including noncontrolling interests from discontinued operations:	**-**	**(3,712)**
Net Income (Loss) including noncontrolling interests, total	**(110,706)**	**152,521**
Adjustments to reconcile net loss to cash used in operations:		
Depreciation	-	48
(Gain) on disposal of subsidiary	-	(299,255)
Impairment on accounts receivable	-	49,625
Foreign exchange transaction loss (gain)	92,479	(8,172)
Change in operating assets and liabilities:		
Security deposit and other receivable	-	481
Prepaid expenses	-	(49,597)
Promissory note-related party	-	(100,000)
Accounts payable and accrued expenses	3,141	(11,017)
Net cash used in operating activities	**$ (15,086)**	**$ (265,366)**
CASH FLOW FROM INVESTING ACTIVITIES:		
Other non-current assets	-	(102)
Net cash inflow on disposal of subsidiary	-	68,940
Net cash generated from (used in) investing activities	**$ -**	**$ 68,838**
CASH FLOW FROM FINANCING ACTIVITIES:		
Advance from related parties	10,823	139,677
Net cash generated from financing activities	**$ 10,823**	**$ 139,677**
NET (DECREASE) IN CASH	(4,263)	(56,851)
Effects of exchange rates on cash	279	(4,901)
CASH AND CASH EQUIVALENTS at beginning of period	**55,752**	**118,045**
CASH AND CASH EQUIVALENTS at end of period	**$ 51,768**	**$ 56,293**

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

HOTAPP BLOCKCHAIN INC.

NOTES TO 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. Our Board determined it was in the best interest of the Company to expand our business plan. On October 15, 2014, through a sale and purchase agreement, the Company acquired all the issued and outstanding stock of HotApps International Pte Ltd ("HIP") from Singapore eDevelopment Limited ("SeD"). SeD is presently our largest stockholder. HIP owned certain intellectual property relating to instant messaging for portable devices (referred to herein as the "HotApp Application").

The HotApp Application is a cross-platform mobile application that incorporates instant messaging and ecommerce. This application can be used on any mobile platform (i.e. IOS Online or Android). The HotApp Application offered messaging and calling services for HotApp Application users (text, photo, audio); however, the messaging and calling services we offered were terminated in 2017.

On December 29, 2017, our Board approved a change of the Company's name from "HotApp International, Inc." to "HotApp Blockchain Inc." to reflect the Board's determination that it was in the best interest of the Company to expand its activities to include the development and commercialization of blockchain-related technologies. One area we are presently exploring is providing technology consulting for security token offerings ("STO"). Such services, which have not yet commenced commercially, would include STO white paper development, technology design and web development. We intend to outsource certain aspects of these projects to potential partners we have identified. We have no plans to launch our own token offering, but rather may develop technologies that could facilitate such offerings by other companies.

We believe that the increasing acceptance of distributed ledger technologies by potential customers will benefit us. The growth of network marketing throughout the world would impact our technologies that target that industry. In this rapidly evolving field, however, technology is advancing quickly and it is possible that our competitors could create products that gain market acceptance before our products.

In 2018, one of our main developments was a broadening of our scope of planned operations into a digital transformation technology business. As a digital transformation technology business, we are committed to enabling enterprises we work with to engage in a digital transformation by providing consulting, implementation and development services with various technologies, including instant messaging, blockchain, e-commerce, social media and payment solutions. We continue to be involved in mobile application product development and other businesses, providing information technology services to end-users, service providers and other commercial users through multiple platforms.

We are focused on serving business-to-business (B2B) needs in e-commerce, collaboration and supply chains. We 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. Enterprises can in turn enhance the user experience with premium content, all of which are facilitated by the transactions of every stakeholder via e-commerce.

Our technology platform consists of instant messaging systems, social media, e-commerce and payment systems, network marketing platforms and e-real estate. We are focused on business-to-business solutions such as enterprise messaging and workflow. We have successfully implemented several strategic platform developments for clients, including a mobile front-end solution for network marketing, a hotel e-commerce platform for Asia and a real estate agent management platform in China. We have also enhanced our technological capability from mobile application development to include blockchain architectural design, allowing mobile-friendly front-end solutions to integrate with software platforms. Our main digital assets at the present time are our applications. Our emphasis will be on developing solutions and providing services.

As of March 31, 2020, 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
HWH World Inc.	August 28, 2018	State of Delaware, the United States of America	100% by Company
2nd Tier Subsidiaries:			
HWH World Pte. Ltd.	September 15, 2014	Republic of Singapore	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 $5,727,614 and has net working capital deficit of $1,213,588 at March 31, 2020. 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 May 13, 2021. 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 2020. Our ability to continue as a going concern is dependent upon achieving sales growth, management of operating expenses and 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, 2019. Results of operations for the three month periods ended March 31, 2020 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2020. 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 condensed 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 condensed 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 March 31, 2020 and December 31, 2019.

Foreign currency risk

Because of its foreign operations, the Company holds cash in non-US dollars. As of March 31, 2020, cash and cash equivalents of the Group includes, on an as converted basis to US dollars, $29,179 and $22,371 in Hong Kong Dollars (“HK$”) and Singapore Dollars (“S$”), respectively. As of December 31, 2019, cash and cash equivalents of the Group include, on an as converted basis to US dollars, $32,283, and $23,131, in Hong Kong Dollars (“HK$”), and Singapore Dollars (“S$”), respectively.

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 its cash with financial institutions with high-credit ratings and quality.

Fair value

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and short-term 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. The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories:

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3 - significant unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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 when the amortization period is less than one-year.

Disaggregation of Revenue

We generate revenue from the project involving provision of services and web/software development for customers. In respect to the provision of services, the agreements are less than one year with cancellable clause and customers are typically billed on a monthly basis. The Company has generated $0 revenue in 2019 through March 31, 2020.

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 March 31, 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation is $0.

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 condensed 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 March 31, 2020 or 2019, respectively.

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 and Hong Kong are maintained in their local currencies, the Singapore Dollar (S$) and Hong Kong Dollar (HK$), 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 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 months ended March 31, 2020, the Company recorded other comprehensive income from translation gain of $169,540 in the condensed consolidated financial statements. For the three months ended March 31, 2019, the Company recorded other comprehensive income from translation loss of $47,392 in the condensed consolidated financial statements.

Comprehensive income (loss)

Comprehensive income (loss) includes gains (losses) from foreign currency translation adjustments. Comprehensive income (loss) is reported in the condensed 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 March 31, 2020, no shares of preferred stock are eligible for conversion into voting common stock.

As of March 31, 2020, there are no potentially dilutive securities that were excluded from the computation of diluted EPS.

Recent accounting pronouncements

On February 25, 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (the Update). The ASU requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. In July 2018, the FASB issued ASU 2018-10 and ASU 2018-11, Codification Improvements to Topic 842, Leases, amending various aspects of Topic 842. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

Topic 842 is effective for annual and interim periods beginning in the first quarter 2019, with early adoption permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We have adopted the new standard on January 1, 2019 and use the effective date as our date of initial application.

The new standard provides a number of optional practical expedients in transition. We elected the ‘package of practical expedients’, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs, and we do not expect to elect the use-of- hindsight.

The new standard also provides practical expedients for an entity’s ongoing accounting. We elected the short-term lease recognition exemption for all leases that qualify. For those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. We also elected the practical expedient to not separate lease and non-lease components for all of our leases.

The adoption of Topic 842 had no material impact on the Company.

Note 3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2020	December 31, 2019
Accrued professional fees	$ 19,793	$ 16,712
Other	1,909	1,849
Total	$ 21,702	$ 18,561

Note 4. 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 March 31, 2020 and December 31, 2019, 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.

On December 20, 2018, the Board of Directors of SeD announced its intention to sell up to 3,200,000 shares of the Company to independent third parties at US$0.50 per share for an aggregate cash consideration of up to US$1,600,000. The purpose of this proposed sale was to raise funds to continue to support the general corporate and working capital of the Company, including but not limited to the operating costs of the Company. As of March 31, 2020, SeD has sold 641,900 shares of the Company to independent third parties, and SeD owned 99.852% 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 our 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 5. EQUITY INCENTIVE PLAN

On July 30, 2018, the Company adopted the Equity Incentive Plan ("The Plan"). The Plan is intended to encourage ownership of shares by employees, directors and certain consultants to the Company in order to attract and retain such people, to induce them to work for the benefit of the Company. The 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 Plan, 50,000,000 shares of Common Stock of the Company have been reserved for issuance pursuant to awards under the Plan. The Plan will be administered by the Company's Board of Directors. This Plan shall terminate ten (10) years from the date of its adoption by the Board of Directors. There have been no awards issued under the Plan as of March 31, 2020.

Note 6. DISCONTINUED OPERATIONS

On October 25, 2018, HotApps International Pte. Ltd. ("HIP") 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 HIP agreed to sell to DSS Asia all of the issued and outstanding shares of HotApps Information Technology Co. Ltd., also known as Guangzhou HotApps Technology Ltd. ("Guangzhou HotApps"). Guangzhou HotApps was a wholly owned subsidiary of HIP, which was primarily engaged in engineering work for software development, mainly voice over internet protocol. Guangzhou HotApps was also involved in a number of outsourcing projects, including projects related to real estate and lighting.

The parties to the Equity Purchase Agreement agreed that the purchase price for this transaction would be $100,000, which would be paid in the form of a two-year, interest free, unsecured, demand promissory note in the principal amount of $100,000, and that such note would be due and payable in full in two years. The closing of the Equity Purchase Agreement was subject to certain conditions; these conditions were met and the transaction closed on January 14, 2019.

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

	March 31, 2020	January 14, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ -	$ 31,060
Deposit and other receivable	-	5,136
TOTAL CURRENT ASSETS	-	36,196
Fixed assets, net	-	1,717
TOTAL ASSETS	**$ -**	**$ 37,913**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ -	$ 202,848
TOTAL CURRENT LIABILITIES	-	202,848
TOTAL LIABILITIES	**$ -**	**$ 202,848**

The aggregate financial results of discontinued operations were as follows:

	Period Ended March 31, 2020	Period Ended January 14, 2019
Revenues:		
Project fee-others	$ -	$ -
	-	-
Cost of revenues	-	-
Gross profit	**$ -**	**$ -**
Operating expenses:		
Depreciation	-	48
General and administrative	-	3,662
Total operating expenses	-	**3,710**
(Loss) from operations	-	**(3,710)**
Other income (expenses):		
Other sundry income	-	-
Foreign exchange (loss)	-	(2)
Total other (expenses) income	-	**(2)**
Loss from discontinued operations	**$ -**	**$ (3,712)**

Note 7. 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 run through May 8, 2018 with monthly payments of $2,330. The Company renewed the lease agreement with monthly payments of $2,447. The Company was required to put up a security deposit of $4,491. For the year ended December 31, 2018, the Company recorded rent expense of $28,897 for Guangzhou office. On January 14, 2019, the sale of our operations in Guangzhou closed. Accordingly, we no longer have this office space or any continuing obligations for this rent.

Note 8. RELATED PARTY BALANCES AND TRANSACTIONS

SeD is the Company's majority stockholder. Chan Heng Fai, the Executive Chairman and Acting Chief Executive Officer of the Company's Board of Directors, is also the Chief Executive Officer and a member of SeD's Board of Directors, as well as the majority stockholder of SeD. Lui Wai Leung Alan, the Company's Chief Financial Officer, is also the Chief Financial Officer of SeD. As of the date of this report, the Company has not entered into any employment arrangement with any director or officer.

As of March 31, 2020, the Company has amount due to SeD of $1,330,765, an amount due to a director of $5,050, plus an amount due to an affiliate of $97 and an amount due from an affiliate of $2,106. The Company has made full impairment provision for the amount due from the affiliate. As of December 31, 2019, the Company has amount due to SeD of $1,396,426, an amount due to a director of $5,343, plus an amount due to an affiliate of $102 and an amount due from an affiliate of $2,228. The Company has made full impairment provision for the amount due from the affiliate.

The account receivable as of March 31, 2020 includes a trade receivable from an affiliate by common ownership amounting to $39,427 resulting from the revenue earned from that affiliate during the year 2017, and the company has put up a full allowance for the said amount.

On October 25, 2018, HotApps International Pte. Ltd. ("HIP") 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 HIP agreed to sell to DSS Asia all of the issued and outstanding shares of HotApps Information Technology Co. Ltd., also known as Guangzhou HotApps Technology Ltd. ("Guangzhou HotApps"). Guangzhou HotApps was a wholly owned subsidiary of HIP, which was primarily engaged in engineering work for software development, mainly voice over internet protocol. Guangzhou HotApps was also involved in a number of outsourcing projects, including projects related to real estate and lighting.

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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 stockholder of Singapore eDevelopment Limited, the majority stockholder of the Company. Mr. Chan is also the Chief Executive Officer and Chairman of DSS International and a significant stockholder 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 stockholder of Document Security Systems. Lum Kan Fai, a member of the Board of Directors of the Company, is also an employee of DSS International.

Since the completion of the sale of all of the issued and outstanding shares of HotApps Information Technology Co. Ltd. (also known as Guangzhou HotApps Technology Ltd.) on January 14, 2019, we have not paid any employees, and our largest stockholder, SeD, has provided staff without charge to our Company. We intend to outsource many functions of our business for the immediate future.

Note 9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these financial statements were issued and determined that there are no reportable subsequent events.

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.

The coronavirus or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations

In December 2019, a novel strain of coronavirus was first identified in Wuhan, Hubei Province, China, and has since spread to a number of other countries, including the United States. The coronavirus' far-reaching impact on the global economy could negatively affect various aspects of our business. In addition, the coronavirus could directly impact the ability of our staff and service providers to continue to work, and our ability to conduct our operations in a prompt and efficient manner. Accordingly, the coronavirus may cause the completion of important stages in our projects to be delayed. The extent to which the coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted.

Background and 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. Our Board determined it was in the best interest of the Company to expand our business plan. On October 15, 2014, through a sale and purchase agreement, the Company acquired all the issued and outstanding stock of HotApps International Pte Ltd ("HIP") from Singapore eDevelopment Limited ("SeD"). SeD is presently our largest stockholder. HIP owned certain intellectual property relating to instant messaging for portable devices (referred to herein as the "HotApp Application").

The HotApp Application is a cross-platform mobile application that incorporates instant messaging and ecommerce. This application can be used on any mobile platform (i.e. IOS Online or Android). The HotApp Application offered messaging and calling services for HotApp Application users (text, photo, audio); however, the messaging and calling services we offered were terminated in 2017.

On December 29, 2017, our Board approved a change of the Company's name from "HotApp International, Inc." to "HotApp Blockchain Inc." to reflect the Board's determination that it was in the best interest of the Company to expand its activities to include the development and commercialization of blockchain-related technologies. One area we are presently exploring is providing technology consulting for security token offerings ("STO"). Such services, which have not yet commenced commercially, would include STO white paper development, technology design and web development. We intend to outsource certain aspects of these projects to potential partners we have identified. We have no plans to launch our own token offering, but rather may develop technologies that could facilitate such offerings by other companies.

We believe that the increasing acceptance of distributed ledger technologies by potential customers will benefit us. The growth of network marketing throughout the world would impact our technologies that target that industry. In this rapidly evolving field, however, technology is advancing quickly and it is possible that our competitors could create products that gain market acceptance before our products.

In 2018, one of our main developments was a broadening of our scope of planned operations into a digital transformation technology business. As a digital transformation technology business, we are committed to enabling enterprises we work with to engage in a digital transformation by providing consulting, implementation and development services with various technologies, including instant messaging, blockchain, e-commerce, social media and payment solutions. We continue to be involved in mobile application product development and other businesses, providing information technology services to end-users, service providers and other commercial users through multiple platforms.

We are focused on serving business-to-business (B2B) needs in e-commerce, collaboration and supply chains. We 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. Enterprises can in turn enhance the user experience with premium content, all of which are facilitated by the transactions of every stakeholder via e-commerce.

Our technology platform consists of instant messaging systems, social media, e-commerce and payment systems, network marketing platforms and e-real estate. We are focused on business-to-business solutions such as enterprise messaging and workflow. We have successfully implemented several strategic platform developments for clients, including a mobile front-end solution for network marketing, a hotel e-commerce platform for Asia and a real estate agent management platform in China. We have also enhanced our technological capability from mobile application development to include blockchain architectural design, allowing mobile-friendly front-end solutions to integrate with software platforms. Our main digital assets at the present time are our applications. Our emphasis will be on developing solutions and providing services.

In January 2017, we entered into a revenue-sharing agreement with iGalen, a network marketing company selling health products (SeD, our majority stockholder, is also a significant stockholder of iGalen). Under the agreement, we customized a secure app for iGalen's communication and management system. The app enables mobile friendly backend access for iGalen Inc. members, among other functions. We are continuing to improve this secure app. In particular, we intend to utilize blockchain supply logistics to improve its functions (the original iGalen app did not utilize the latest distributed ledger technology). Once the improvements to this technology are completed, and initially utilized by iGalen, We intend to then attempt to sell similar services to other companies engaged in network marketing, as members of our management have a particular experience offering services to that industry and we believe our solutions are particularly suited to that industry's needs. This app can be modified to meet the specific needs of any network marketing company. We believe that these technologies will, among other benefits, make it easier for network marketing companies to securely and effectively manage their systems of compensation. Our current plan is to commence sales of this technology in 2020.

As of March 31, 2020, 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
HWH World Inc.	August 28, 2018	State of Delaware, the United States of America	100% by Company
2nd Tier Subsidiaries:			
HWH World Pte. Ltd.	September 15, 2014	Republic of Singapore	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, our majority stockholder, as its principal sources of funding during the period. SeD has advised us not to depend solely on it 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 stockholders 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.

Trends in the Market and Our Opportunity

We believe that digital and mobile technologies are reshaping the B2B marketplace. We believe that this is not only a technological revolution, but rather a paradigm shift in how B2B buyers consume content, make informed buying decisions and engage with sales people.

A report by Statista on B2B e-commerce in 2017 has estimated $2.3 trillion B2C sales online while for B2B it is $7.7 trillion (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; and
- the simplified ordering experiences: The wholesale customers on B2B portals find simplified interface compared to a number of “bells and whistles” required on the B2C e-commerce sites.

Mobile phones are increasingly playing a critical role in the B2B customer journey. In fact, 50% of B2B search queries today are made on smartphones. Research from the Boston Consulting Group projects that this figure will 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 OTT 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 Block Chain technology is no longer confined in the Financial industry, enterprises are looking block chain as a way to address product diversion, counterfeiting and track and trace solution. These applications become a major building block of B2B commerce.

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;
- identify strategic partnership opportunities globally through “Powered by HotApp” initiatives, enabling Mobile B2B commerce; and
- focus on network marketing business support.

Results of Operations

Summary of Key Results

For the unaudited three months period ending March 31, 2020 and 2019

Revenue

The Company had no revenue during the three months ended March 31, 2020 and 2019.

Cost of revenue

Total cost of revenue for the three months ended March 31, 2020 and 2019 were $0

General and Administrative

General and administrative expenses consist primarily of salary and benefits, professional fees, rental expenses and maintenance expenses of existing software framework. 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 March 31, 2020 and 2019 for continuing operations were $18,049 and $151,205, respectively, of which $(179) and $49,625 related to bad debt expense, respectively. Total general and administrative expenses for the three months ended March 31, 2020 and 2019 for discontinued operations were $0 and $3,710, of which $0 and $48 were depreciation expenses, respectively.

Other (Expense) / Income

For the three months ended March 31, 2020 and 2019, we have incurred $(92,658) and $8,174 in foreign exchange (loss) gain, $0 and $299,255 in gain on disposal of investment, and $1 and $9 in interest income respectively for continuing operations. For the three months ended March 31, 2020 and 2019, we have incurred $0 and $(2) in unrealized foreign exchange gain(loss), respectively for discontinued operations.

Liquidity and Capital Resources

At March 31, 2020, we had cash of $51,768 and working capital deficit of $1,213,588.

We had a total stockholders’ deficit of $1,213,486 and an accumulated deficit of $5,727,614 as of March 31, 2020 compared with a total stockholders’ deficit of $1,272,320 and an accumulated deficit of $5,616,908 as of December 31, 2019. This difference is primarily due to the net effect of the net loss incurred and the gain in the foreign currency translation during the period.

For the three months ended March 31, 2020, we recorded a net loss of $110,706.

We had net cash used in operating activities of $15,086 for the three months ended March 31, 2020. We had a positive change of $3,141 due to accounts payable and accrued expenses.

For the three months ended March 31, 2019, we recorded a net income of $152,521.

We had net cash used in operating activities of $265,366 for the three months ended March 31, 2019. We had a positive change of $481 due to security deposit and other receivables, and a negative change of $49,597 due to prepaid expenses. We had a negative change of $100,000 due to promissory note, and a negative change of $11,017 due to accounts payable and accrued expenses.

For the three months ended March 31, 2020, we had no net cash generated from nor used in investing activities for the period.

For the three months ended March 31, 2019, we spent $102 on other investment and received a net cash inflow of $68,940 on the disposal of subsidiary, resulting in net cash generated from investing activities of $68,838 for the period.

For the three months ended March 31, 2020, we had net cash provided by financial activities of $10,823 due to advances from an affiliate.

For the three months ended March 31, 2019, we had net cash provided by financial activities of $139,677 due to advances from an affiliate.

As of March 31, 2020, we do not have any fixed operating office lease agreements.

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 are less than one year with cancellable clause and are typically billed on a monthly basis. The Company has generated $0 revenue in 2019 through March 31, 2020.

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 March 31, 2020, the aggregate amount of the transaction price allocated to the remaining performance obligation is $0.

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 condensed 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 March 31, 2019 or 2018, respectively.

Off-Balance Sheet Arrangements

As of March 31, 2020, the Company did not have any off-balance sheet arrangements.

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

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of our Quarterly Report on Form 10-Q, an evaluation was carried out by management, with the participation of our Acting Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) as of March 31, 2020. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified, and that such information is accumulated and communicated to management, including the Acting Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During evaluation of disclosure controls and procedures as of March 31, 2020 conducted as part of our preparation of our interim financial statements, management conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures and concluded that our disclosure controls and procedures were not effective. Management determined that at March 31, 2020, we had a material weakness that relates to the relatively small number of employees who have bookkeeping and accounting functions and therefore prevents us from segregating duties within our internal control system.

Management's Report on Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements included in this quarterly report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect management's judgment and estimates concerning effects of events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that pertain to our ability to record, process, summarize and report reliable data. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that our internal control over financial reporting is effective, management regularly assesses controls and did so most recently for its financial reporting as of March 31, 2020. This assessment was based on criteria for effective internal control over financial reporting described in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management has concluded that, as of March 31, 2020, we had a material weakness that relates to the relatively small number of employees who have bookkeeping and accounting functions and therefore prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews. The Company also noted the internal staff has limited US GAAP and SEC Reporting experience.

This quarterly report filed on Form 10-Q does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this quarterly report.

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 documents are filed as a part of this report:

Exhibit Number	Description
31.1	Certification of Acting Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial 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: May 13, 2020

By: /s/ Chan Heng Fai

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

Date: May 13, 2020

By: /s/ Lui Wai Leung, Alan

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