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HAO BAI INTERNATIONAL (CAYMAN) LIMITED

浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8431)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018, together with the comparative audited figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018	2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	130,886	109,450
Cost of services		(105,714)	(81,996)
Gross Profit		25,172	27,454
Other income		74	11
Administrative expenses		(15,395)	(11,292)
Listing expenses		(4,373)	(12,507)
Finance costs		(1,393)	(937)
Profit before tax		4,085	2,729
Income tax expense	5	(1,102)	(1,915)
Profit and total comprehensive income for the year	6	2,983	814
Earnings per share			
Basic (<i>HK cents</i>)	8	0.24	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		910	1,440
Payment for a life insurance policy		2,650	2,653
		3,560	4,093
CURRENT ASSETS			
Amounts due from customers for contract works	9	79,655	41,980
Trade and other debtors, deposits and prepayments	10	32,272	22,731
Pledged and restricted bank deposits		2,733	473
Bank balances and cash		28,094	1,058
		142,754	66,242
CURRENT LIABILITIES			
Amounts due to customers for contract works	9	–	341
Trade and other creditors and accrued expenses	11	14,311	14,514
Bank borrowings – due within one year		24,950	9,649
Obligations under finance leases		277	549
Taxation payable		1,720	2,481
Bank overdraft – secured		7,705	2,957
		48,963	30,491
NET CURRENT ASSETS		93,791	35,751
TOTAL ASSETS LESS CURRENT LIABILITIES		97,351	39,844
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		1,993	3,944
Obligations under finance leases		–	277
		1,993	4,221
		95,358	35,623
CAPITAL AND RESERVES			
Share capital	12	13,000	–
Reserves		82,358	35,623
		95,358	35,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hao Bai International (Cayman) Limited (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is located at Room 95–12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its major subsidiaries are provision of design, procurement and installation services of water circulation systems.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the year, the Group has consistently applied all new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting period beginning on 1 April 2017 throughout the year.

At the date of issuance of these consolidated financial statements, the HKICPA has issued the following new standards, amendments and an interpretation that are not yet effective. The Group has not early adopted these new standards and amendments.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

3. REVENUE

Revenue of the Group represents the fair value of amounts received and receivable from management contracting services and the gross proceeds received and receivable from consultancy services and maintenance services during the year and is analysed as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from management contracting services	129,668	106,991
Revenue from consultancy services	1,146	2,279
Revenue from maintenance services	72	180
	130,886	109,450

4. SEGMENT INFORMATION

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

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each reportable and operating segment without allocation of corporate income, administrative and listing expenses, and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The assets of the Group are allocated to reportable and operating segments except for pledged and restricted bank deposits, bank balances and cash and payment for a life insurance policy.

The liabilities of the Group are allocated to reportable and operating segments except for bank borrowings, obligations under finance leases and bank overdraft.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 March 2018

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
External sales	<u>129,668</u>	<u>1,146</u>	<u>72</u>	<u>130,886</u>
Segment profit	<u>24,575</u>	<u>576</u>	<u>21</u>	25,172
Corporate income				74
Administrative and listing expenses				(19,768)
Finance costs				<u>(1,393)</u>
Profit before tax				<u>4,085</u>

For the year ended 31 March 2017

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE				
External sales	<u>106,991</u>	<u>2,279</u>	<u>180</u>	<u>109,450</u>
Segment profit	<u>26,196</u>	<u>1,128</u>	<u>130</u>	27,454
Corporate income				11
Administrative and listing expenses				(23,799)
Finance costs				<u>(937)</u>
Profit before tax				<u>2,729</u>

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

As at 31 March 2018

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	<u>112,829</u>	<u>8</u>	<u>–</u>	112,837
Pledged and restricted bank deposits				2,733
Bank balances and cash				28,094
Payment for a life insurance policy				<u>2,650</u>
Consolidated assets				<u>146,314</u>
LIABILITIES				
Segment liabilities	<u>16,029</u>	<u>2</u>	<u>–</u>	16,031
Bank borrowings				26,943
Obligations under finance leases				277
Bank overdraft				<u>7,705</u>
Consolidated liabilities				<u>50,956</u>

As at 31 March 2017

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	<u>66,143</u>	<u>8</u>	<u>–</u>	66,151
Pledged and restricted bank deposits				473
Bank balances and cash				1,058
Payment for a life insurance policy				<u>2,653</u>
Consolidated assets				<u>70,335</u>
LIABILITIES				
Segment liabilities	<u>17,334</u>	<u>2</u>	<u>–</u>	17,336
Bank borrowings				13,593
Obligations under finance leases				826
Bank overdraft				<u>2,957</u>
Consolidated liabilities				<u>34,712</u>

The following is an analysis of the Group's other information by reportable and operating segments:

For the year ended 31 March 2018

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
OTHER INFORMATION				
Additions to property, plant and equipment	157	–	–	157
Depreciation of property, plant and equipment	<u>687</u>	<u>–</u>	<u>–</u>	<u>687</u>

For the year ended 31 March 2017

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
OTHER INFORMATION				
Additions to property, plant and equipment	153	–	–	153
Depreciation of property, plant and equipment	<u>692</u>	<u>–</u>	<u>–</u>	<u>692</u>

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong	120,649	53,045
Macau	<u>10,237</u>	<u>56,405</u>
	<u>130,886</u>	<u>109,450</u>

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong	902	1,429
Macau	<u>8</u>	<u>11</u>
	<u>910</u>	<u>1,440</u>

Note: Non-current assets excluded payment for a life insurance policy.

Information about major customers

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	114,892	71,115
Customer B (<i>Note</i>)	N/A	12,883

Note: Revenue from customer B is less than 10% of the total revenue of the Group for the year ended 31 March 2018.

5. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax	965	–
Macau tax		
Current tax	137	1,915
Deferred taxation	–	–
	1,102	1,915

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	4,085	2,729
Tax charge at Hong Kong Profits Tax rate of 16.5%	674	450
Tax effect of expenses not deductible for tax purpose	783	2,203
Tax effect of income not taxable for tax purpose	(104)	(606)
Utilisation of tax losses previously not recognised	(190)	–
Tax effect of tax losses not recognised	26	170
Tax effect of different tax rates of subsidiary operating in other jurisdiction	(87)	(302)
Income tax expense for the year	1,102	1,915

6. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	700	700
Depreciation of property, plant and equipment	687	692
Amortisation of payment for a life insurance policy	11	11
Operating lease rentals	1,810	1,863
Staff costs		
Directors' emoluments	3,827	3,040
Other staff costs:		
Salaries, discretionary bonus and other benefits	9,819	7,792
Retirement benefit scheme contributions	386	342
Total staff costs	14,032	11,174
Less: Amount capitalised in respect of contracts in progress	(7,177)	(5,569)
	<u>6,855</u>	<u>5,605</u>
Contract costs recognised as expenses	105,093	80,795
Net exchange loss	–	104
	<u><u> </u></u>	<u><u> </u></u>

7. DIVIDEND

No dividend was declared or proposed by the directors of the Company for the year ended 31 March 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share during the year is based on the number of shares that would have been outstanding for the relevant year assuming that the capitalisation issue of shares as detailed in note 12 had been effective on 1 April 2016.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year for the purpose of calculating earnings per share	<u>2,983</u>	<u>814</u>
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,251,027,000</u>	<u>972,898,000</u>

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

9. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred	308,291	211,522
Recognised profits less recognised losses	<u>120,439</u>	<u>87,723</u>
	428,730	299,245
Less: Progress billings	<u>(349,075)</u>	<u>(257,606)</u>
	<u>79,655</u>	41,639
Analysed for reporting purposes as:		
Amounts due from customers for contract works	79,655	41,980
Amounts due to customers for contract works	<u>–</u>	<u>(341)</u>
	<u><u>79,655</u></u>	<u><u>41,639</u></u>

At the end of the reporting period, retention held by customers for contract works amounted to HK\$9,968,000 (2017: HK\$10,104,000), which are set out in note 10.

10. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade debtors	14,048	11,156
Retention receivables (<i>Note i</i>)	9,968	10,104
Advances to staff (<i>Note ii</i>)	2,250	–
Pledged deposits to an insurance company (<i>Note iii</i>)	757	352
Other debtors, deposits and prepayments	<u>5,249</u>	<u>1,119</u>
	<u><u>32,272</u></u>	<u><u>22,731</u></u>

Notes:

- i. Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects.
- ii. Advances to staff are unsecured, interest-free and repayable on demand, which consist of advances to executive directors Mr. Ng Wan Lok and Ms. Wong Wing Hung for HK\$750,000 (maximum amount outstanding during the year: HK\$750,000) and HK\$500,000 (maximum amount outstanding during the year: HK\$500,000), respectively.
- iii. Pledged deposits of approximately HK\$757,000 (2017: HK\$352,000) to an insurance company is the security for issuance of performance bonds in respect of construction contracts with prevailing market rates ranging from 0.05% to 0.1% (2017: 0.05% to 0.1%) per annum.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
On demand or within one year	2,550	2,820
After one year	7,418	7,284
	9,968	10,104

Trade debtors mainly arise from management contracting business. The Group's credit terms for its management contracting business are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 30 to 60 days.

The following is an ageing analysis of trade debtors presented based on the invoice date at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	12,449	7,347
More than 30 days and within 60 days	212	34
More than 60 days	1,387	3,775
	14,048	11,156

The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

The following is an ageing analysis of trade debtors which are past due but not impaired:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
More than 30 days and within 60 days	212	34
More than 60 days	1,387	3,775
	1,599	3,809

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The directors of the Company considers that there has not been a significant change in credit quality of the trade debtors and there is no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

All of the trade debtors that are neither past due nor impaired have no default payment history.

11. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade creditors	11,836	9,452
Accrued listing expenses	–	3,095
Other creditors and accrued expenses	2,475	1,967
	<u>14,311</u>	<u>14,514</u>

The credit period on trade creditors is 30 – 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The ageing analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	1,486	2,544
More than 30 days and within 60 days	1,089	637
More than 60 days	9,261	6,271
	<u>11,836</u>	<u>9,452</u>

12. SHARE CAPITAL

For the purpose of this consolidated financial statements, the issued capital of the Group as at 1 April 2016 represents the share capital of the Company of 8,876 shares of US\$1 each. The issued capital of the Group as at 31 March 2017 represents the share capital of the Company of 10,000 shares of HK\$0.01 each.

The movement in the Company's authorised and issued ordinary share capital are as follows:

	Nominal value per share	Number of shares
Ordinary shares		
<i>Authorised:</i>		
At 1 April 2016	US\$1	50,000
Cancellation of shares (<i>Note i</i>)	US\$1	(50,000)
At 31 March 2017 and 31 March 2018	HK\$0.01	<u>2,000,000,000</u>

	Nominal value per share	Number of shares	Share capital	
			US\$'000	HK\$'000
<i>Issued and fully paid:</i>				
At 1 April 2016	US\$1	8,876	9	69
Issue of shares on 8 April 2016	US\$1	1,124	1	9
Cancellation of shares on 19 January 2017 (<i>Note i</i>)	US\$1	(10,000)	(10)	(78)
Issue of shares on 19 January 2017 (<i>Note i</i>)	HK\$0.01	<u>10,000</u>		<u>–</u>
At 31 March 2017	HK\$0.01	10,000		–
Capitalisation Issue of shares (<i>Note ii</i>)	HK\$0.01	974,990,000		9,750
Issue of shares by public offering (<i>Note iii</i>)	HK\$0.01	<u>325,000,000</u>		<u>3,250</u>
At 31 March 2018	HK\$0.01	<u><u>1,300,000,000</u></u>		<u><u>13,000</u></u>

Notes:

- (i) On 19 January 2017, the Company increased its authorised share capital by HK\$20,000,000 by the creation of 2,000,000,000 shares of par value HK\$0.01 each (the “Increase”). Following the Increase, the Company allotted and issued 7,500 nil paid shares, 1,376 nil paid shares and 1,124 nil paid shares to Harmony Asia International Limited, Global Equity Value Fund SPC FRO Capital Fund I SP and the Morgan Star Investment Limited respectively, for an aggregate price of US\$10,000 (the “Subscription Price”).

On 19 January 2017, the Company repurchased all the existing 10,000 shares of US\$1.00 each (the “Existing Shares”) for an aggregate price of US\$10,000 (the “Repurchase Price”), which was offset against the Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of the Company, and the authorised share capital of the Company became HK\$20,000,000 divided into 2,000,000,000 shares of nominal value of HK\$0.01 each.

- (ii) Pursuant to the written resolution passed by the shareholders of the Company dated 12 May 2017, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Listing, the directors of the Company were authorised to allot and issue 974,990,000 ordinary shares of HK\$0.01 each of the Company, by way of capitalisation of the sum of approximately HK\$9,750,000 standing to the credit of the share premium account of the Company, credited as fully paid at par to the existing shareholders (“Capitalisation Issue”). The Capitalisation Issue was completed on 26 May 2017.
- (iii) On 26 May 2017, 325,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.20 by way of public offering. On the same date, the Company’s shares were listed on the Stock Exchange. The proceeds of HK\$3,250,000 representing the par value of the shares of the Company, were credited to the Company’s share capital. The remaining proceeds of HK\$61,750,000, before issuing expenses, were credited to share premium account.

13. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	1,357	1,609
In the second to fifth year inclusive	1,276	383
	2,633	1,992

Leases in respect of premises are negotiated, and monthly rentals are fixed, for terms ranging from one to two years at the end of the reporting period.

14. CONTINGENT LIABILITIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Indemnities issued to banks and an insurance company for performance bonds in respect of construction contracts	1,928	1,464

15. PLEDGE OF ASSETS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Pledged and restricted bank deposits	2,733	473
Pledged deposits to an insurance company	757	352
Payment for a life insurance policy	2,650	2,653
	6,140	3,478

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a Hong Kong-based contractor specialised in design, procurement and installation services of water circulation systems, including swimming pools, water fountains and water curtains, etc. For the year ended 31 March 2018, the Group had 26 management contracting projects and 1 consulting project (2017: 19 management contracting projects and 4 consulting projects) with revenue contribution. In view of the increased demands for the Group's management contracting services, the Group recorded a significant growth in the revenue for year ended 31 March 2018.

Looking forward, the Directors consider that the future opportunities and challenges facing by the Group will continue to be affected by the development of the property market in Hong Kong and the recovery of gaming market in Macau as well as the increasing labour costs and material costs. The Directors are of the view that the number of properties and five-star hotels to be built in Hong Kong and Macau remains to be the key driver for the growth of the water-related facility service market.

With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors, and the Group will continue to pursue the business strategies as set out in the prospectus of the Company dated 16 May 2017 (the "Prospectus").

Financial Review

Revenue

Our total revenue increased by approximately HK\$21.4 million or 19.6% from approximately HK\$109.5 million for the year ended 31 March 2017 to approximately HK\$130.9 million for the year ended 31 March 2018. The increase in our revenue was primarily driven by the increased contribution from projects in Hong Kong which accounted for over 90% of our total revenue for the year ended 31 March 2018. During the year ended 31 March 2018, we have been awarded with two significant projects located at Tseung Kwan O and Tai Po respectively, and the revenue derived from these two projects were approximately HK\$89.9 million in aggregate.

The increased revenue from projects in Hong Kong was partially offset by the decrease in revenue from projects in Macau which was mainly due to (i) the completion of a hotel project in Macau; and (ii) the suspension of another hotel project in Macau which was led by the industrial accident by other contractors in June 2017 as mentioned in the interim results announcement dated 7 November 2017 and we only resumed our works in November 2017.

Cost of services

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

Our cost of services increased by approximately HK\$23.8 million or 28.9% from approximately HK\$82.0 million for the year ended 31 March 2017 to approximately HK\$105.7 million for the year ended 31 March 2018. Such increase was primarily driven by the increase in sub-contracting fees of approximately HK\$18.9 million and cost of consumables of approximately HK\$3.5 million, and which is due to the increase in number of projects undertaken in Hong Kong by the Group during the year ended 31 March 2018, which generally incur a higher cost than projects in Macau.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$2.3 million or 8.3% from approximately HK\$27.5 million for the year ended 31 March 2017 to approximately HK\$25.2 million for the year ended 31 March 2018. Such decrease was primarily attributable to the lower gross profit margin from our management contracting services during the year ended 31 March 2018.

Our gross profit margin decreased from approximately 25.1% for the year ended 31 March 2017 to approximately 19.2% for the year ended 31 March 2018. The drop of the gross profit margin was mainly due to the substantial contribution of revenue from projects in Hong Kong, which typically has a lower gross profit margin than projects in Macau. For the year ended 31 March 2018, revenue generated from projects in Hong Kong accounted for approximately 92.2% (for the year ended 31 March 2017: 48.5%) of our total revenue. The decrease in revenue generated from projects in Macau for the year ended 31 March 2018 was mainly due to (i) the suspension of a hotel project in Macau which was led by the industrial accident by other contractors in June 2017 as mentioned in the interim results announcement dated 7 November 2017 and we only resumed our works in November 2017; and (ii) the completion of a hotel project in Macau.

Other income

Our other income increased from approximately HK\$11,000 for the year ended 31 March 2017 to approximately HK\$74,000 for the year ended 31 March 2018, primarily due to the increase in interest income on the time deposit.

Administrative expenses

Our administrative expenses increased by approximately HK\$4.1 million or 36.3% from approximately HK\$11.3 million for the year ended 31 March 2017 to approximately HK\$15.4 million for the year ended 31 March 2018. Such increase was primarily due to the post listing expenses such as the Directors' fee and the legal and professional fee for compliance purpose following the listing of shares of the Company (the "Shares") on GEM (the "Listing") in May 2017.

Finance costs

Our finance costs increased by approximately HK\$0.5 million or 48.7% from approximately HK\$0.9 million for the year ended 31 March 2017 to approximately HK\$1.4 million for the year ended 31 March 2018, primarily due to the increase in the level of bank borrowings.

Listing expenses

During the year ended 31 March 2018, our Group recognised non-recurring listing expenses of approximately HK\$4.4 million (2017: approximately HK\$12.5 million) as expenses in connection with the Listing.

Income tax expense

Our income tax expenses amounted to approximately HK\$1.9 million for the year ended 31 March 2017 and approximately HK\$1.1 million for the year ended 31 March 2018.

The net tax provision provided for Macau profits tax was approximately HK\$137,000 for the year ended 31 March 2018.

The net tax provision provided for Hong Kong Profits Tax was approximately HK\$965,000 for the year ended 31 March 2018. Such provision was made after off-setting the unutilised tax losses in prior years.

Net Profit

As a result of the foregoing, our net profit for the year increased by approximately HK\$2.2 million or 266.5% from approximately HK\$0.8 million for the year ended 31 March 2017 to approximately HK\$3.0 million for the year ended 31 March 2018.

If the non-recurring listing expense charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK\$5.9 million or 44.8% from approximately HK\$13.3 million for the year ended 31 March 2017 to approximately HK\$7.4 million for the year ended 31 March 2018.

Dividend

No dividend was declared or proposed by the Board for both years ended 31 March 2018 and 2017.

Liquidity, financial resources and funding

As at 31 March 2018, the Group had total assets of approximately HK\$146.3 million (2017: approximately HK\$70.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$51.0 million (2017: approximately HK\$34.7 million) and approximately HK\$95.4 million (2017: approximately HK\$35.6 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2018 were approximately HK\$34.6 million (2017: approximately HK\$16.6 million), and current ratio as at 31 March 2018 was approximately 2.9 times (2017: approximately 2.2 times).

The Group's borrowings and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the year.

The Group's gearing ratio, which is calculated by total borrowings, bank overdrafts and obligation under finance leases divided by total equity, decreased from approximately 48.8% as at 31 March 2017 to approximately 36.6% as at 31 March 2018, primarily due to the increase in the total equity outweighed the increase in the level of bank borrowings. The increase in the total equity was primarily due to the Listing in May 2017, whereas the increase in the level of bank borrowings was primarily due to the additional term loan raised during the year.

Capital structure

The Shares were successfully listed on GEM of the Stock Exchange on 26 May 2017. Immediately upon Listing, the total issued share capital of the Company was HK\$13,000,000 divided into 1,300,000,000 Shares of par value of HK\$0.01 each. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK\$13,000,000 (2017: HK\$100) divided into 1,300,000,000 ordinary Shares of par value of HK\$0.01 each (2017: 10,000 of HK\$0.01 each).

Commitments

The operating lease commitments of the Group were primarily related to the leases of its office premises and the staff quarters. The Group's operating lease commitments amounted to approximately HK\$2.6 million as at 31 March 2018 (2017: approximately HK\$2.0 million).

Segmental information

Segmental information is presented for the Group as disclosed on note 4 of the notes to the consolidated financial statements.

Future plans for material investments and capital assets

As at 31 March 2018, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 March 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

Save as disclosed in note 14 of the notes to the consolidated financial statements, as at 31 March 2017 and 2018, the Group did not have other material contingent liabilities.

Foreign currency exposure

The Group's revenue generating operations are mainly transacted in HK\$ and MOP. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

Pledge of assets

Save as disclosed in note 15 of notes to the consolidated financial statements, as at 31 March 2017 and 2018, the Group did not have other pledge of assets.

Employees and remuneration policies

As at 31 March 2018, the Group employed a total of 36 employees (2017: 24 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$14.0 million for the year ended 31 March 2018 (2017: approximately HK\$11.2 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses. Share options may also be granted to eligible employees by reference to the Group's performance as well as individual contribution.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2018.

CORPORATE GOVERNANCE CODE

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2018, the Company has adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, except for Code Provision A.2.1 of the CG Code.

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

Save as disclosed above, the Board is pleased to report compliance with all applicable code provisions of the CG Code during the year ended 31 March 2018.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 March 2018.

CHANGE OF INFORMATION OF DIRECTORS

Changes in information of Directors subsequent to the date of the 2017 Third Quarterly Report of the Company:

Tsit Wing International Holdings Limited in which Mr. Wu Kam On Keith, an independent non-executive Director of the Company, served as an executive director, group chief operation officer and company secretary was listed on the Main Board of the Stock Exchange (Stock Code: 2119) on 11 May 2018.

With effect from 16 May 2018, (i) Mr. Chen Lei was appointed as an independent non-executive Director, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company; (ii) Mr. Kwong Tsz Ching Jack has resigned as an independent non-executive Director and ceased to be member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company as he would like to spend more time to pursue his own business; and (iii) Mr. Chong Kam Fung has resigned as a non-executive Director and ceased to be member of the Audit Committee of the Company as he would like to spend more time to pursue his own business.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2018 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2018 as stated in the Prospectus	Actual business progress up to 31 March 2018
Strengthening of our industry position and expansion of our business	Undertake more projects and satisfy potential requirements of performance bond.	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 31 March 2018, the Group has paid approximately HK\$0.4 million to satisfy requirement of performance bond of new projects.
Repayment of bank borrowings	Repay outstanding amount under the bank borrowings advanced to our Group.	The Group has used approximately HK\$7.6 million to repay the outstanding bank borrowings.

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2018 as stated in the Prospectus	Actual business progress up to 31 March 2018
Strengthening our technical and project management capabilities	Recruit additional professional staff with relevant experience, including one chartered senior engineer, one quantity surveyor, one assistant project manager and two engineers.	The Group has added 10 headcounts of junior to senior level engineering staff to cope with its business development with additional staff costs of approximately HK\$1.9 million. The Group regularly reviews the need for further recruitments to cope with the business development.
	Provide technical seminars and safety courses for our staff.	The Group has paid approximately HK\$0.1 million for the reporting period to sponsor its engineering staff to attend technical seminars and safety courses organised by the third parties.
Establishing a Macau office/warehouse	Rent an office/a warehouse in Macau and renovate and purchase fixed assets for the newly leased office/warehouse.	The Group is in the process of identifying appropriate office/warehouse in Macau.
Purchase of tools and equipment	Purchase tools and equipment to enhance our high level working environment and improve our efficiency for the provision of installation services of Water Circulation Systems.	The Group is in the process of selecting tools and equipment.

USE OF PROCEEDS

The Shares were listed on GEM on 26 May 2017 pursuant to the initial public offering of the Company. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK\$38.0 million would be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

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

	Actual net proceeds <i>HK\$ million</i>	Amount utilised as at 31 March 2018 <i>HK\$ million</i>	Balance <i>HK\$ million</i>
Strengthening of the Group's industry position and expansion of business	19.4	0.4	19.0
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group's technical and project management capabilities	3.6	2.0	1.6
Establishment of a Macau office/ warehouse	2.5	–	2.5
Purchase of tools and equipment	1.6	–	1.6
General working capital	3.3	3.3	–
	<u>38.0</u>	<u>13.3</u>	<u>24.7</u>

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

- (a) The Group's business is project-based. The Group mainly derive revenue from projects which are nonrecurrent in nature. Fee collection and profit margin significantly depend on various factors of each project such as the terms of contracts, duration of project, variation orders, efficiency of implementation of contract work and the general market condition. In general, variation orders usually carry higher profit margin as compared with the works under original contracts. Therefore, revenue generated from the Group's business is irregular and is subject to the availability of projects, variation orders and other factors beyond the Group's control;
- (b) The number and size of the projects the Group can undertake depends on the Group's human and other resources. Due to the size of the Group, a mega-sized project will occupy a substantial part of the Group's resources and inevitably resulted in the Group not being able to deploy resources to other projects and as a result the Group have to rely on a single project or otherwise a small number of projects during the project period. Any decrease in the number of sizable projects in terms of revenue recognised may affect the Group's operations and financial results;

- (c) For the Group's management contracting business, the Group normally receive progress payments from the customers with reference to the percentage of completion of the contract works done by the Group during the relevant month in accordance with the rates and prices based on the agreed tender price. Any failure by the customers to make any payment on time or in full may have a material adverse effect on the Group's liquidity position. Any failure by the customers to eventually pay the amount to the Group's may have a material adverse effect on the Group's financial position and operating results; and
- (d) Most of the Group's contracts are awarded to the Group through tendering process. The Group have to determine the tender price and service fee of each project based on the information available to the Group at the time of submitting the tender. The tender price is determined by factors including the scope of works, the estimated duration of the project period, the total time cost and estimated cost involved. The Group determine the price of all the projects at fixed costs based on an agreed scope of works and the estimation of time cost and estimated cost involved. Error or inaccurate estimation of project duration and costs when determining the tender price or increase in construction costs may adversely affect the Group's profitability or result in substantial loss.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the the year ended 31 March 2018.

AUDIT COMMITTEE

The Group has established an audit committee of the Board (the "Audit Committee") pursuant to a resolution of the Board passed on 19 January 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of the Group.

The Audit Committee currently consists of three members, namely Mr. Wu Kam On Keith, Mr. Lau Wai Hung and Mr. Chen Lei. Mr. Wu Kam On Keith is the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The audited consolidated financial statements of the Group for the year ended 31 March 2018 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2018. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

INTEREST OF THE COMPLIANCE ADVISER

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

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") for the year 2017/2018 of the Company is scheduled to be held on 28 August 2018 and a notice of AGM will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 August 2018 to Tuesday, 28 August 2018, both days inclusive, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Wednesday, 22 August 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkgem.com and the Company's website at www.harmonyasia.com. The annual report of the Company for the year 2017/2018 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Hao Bai International (Cayman) Limited
Nam Ho Kwan
Chairman and Executive Director

Hong Kong, 19 June 2018

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published and remained on the Company's website at www.harmonyasia.com.