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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 2019

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 the Group for the year ended 31 March 2019, together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	3	**135,469**	130,886
Cost of services		**(109,363)**	(105,714)
Gross Profit		**26,106**	25,172
Other income		**271**	74
Administrative expenses		**(20,082)**	(15,395)
Listing expenses		**–**	(4,373)
Finance costs		**(2,568)**	(1,393)
Profit before income tax	5	**3,727**	4,085
Income tax expenses	6	**(745)**	(1,102)
Profit for the year and total comprehensive income for the year		**2,982**	2,983
Earnings per share, basic and diluted *(HK cents)*	7	**0.23**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**761**	910
Payment for a life insurance policy		**2,647**	2,650
		3,408	3,560
CURRENT ASSETS			
Contract assets	9	**103,560**	–
Amounts due from customers for contract works	9	**–**	79,655
Trade and other debtors, deposits and prepayments	10	**40,230**	32,272
Pledged and restricted bank deposits		**17,366**	2,733
Bank balances and cash		**23,446**	28,094
		184,602	142,754
CURRENT LIABILITIES			
Contract liabilities	9	**1,975**	–
Trade and other creditors and accrued expenses	11	**33,544**	14,311
Bank borrowings – due within one year	12	**47,173**	24,950
Obligations under finance leases		**–**	277
Income tax payable		**316**	1,720
Bank overdrafts – secured		**4,669**	7,705
		87,677	48,963
NET CURRENT ASSETS		**96,925**	93,791
TOTAL ASSETS LESS CURRENT LIABILITIES		**100,333**	97,351
NON-CURRENT LIABILITIES			
Bank borrowings – due over one year	12	**1,993**	1,993
		98,340	95,358
CAPITAL AND RESERVES			
Share capital	13	**13,000**	13,000
Reserves		**85,340**	82,358
		98,340	95,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange. The directors of the Company consider the Company's immediate and ultimate holding company is Harmony Asia International Limited, a company incorporated in Samoa. The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business was located at Room 95-12, 12/F, No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong in 2018 and changed to Workshop Unit A, 7/F, Wah Shing Industrial Building, No.18 Cheung Shun Street, Kowloon, Hong Kong with effect from 21 July 2018.

The principal activity of the Company is investment holding and the Group are principally engaged in provision of design, procurement and installation services of water circulation systems.

2. PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is also the functional currency of the Company and all amounts have been rounded to the nearest thousand (HK$'000), unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs:

HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The HK(IFRIC)-Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the HK(IFRIC)-Int 22 does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

HKFRS 9 replaces HKAS 39 "*Financial Instruments: Recognition and Measurement*" for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 April 2018 (i.e. the date of initial application), except as described below (if applicable):

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	Measurement category under HKAS 39	Carrying amount under HKAS 39 at 31 March 2018 *HK$'000*	Measurement category under HKFRS 9	Carrying amount under HKFRS 9 at 1 April 2018 *HK$'000*
Payment for a life insurance policy *<Remark>*	Loans and receivables	2,650	FVPL	2,650
Bank balances and cash	Loans and receivables	28,094	Amortised cost	28,094
Pledged and restricted bank deposits	Loans and receivables	2,733	Amortised cost	2,733
Trade and other debtors	Loans and receivables	31,934	Amortised cost	31,934
		65,411		65,411

<Remark> Payment for a life insurance policy would be classified as financial assets at FVPL as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for a life insurance policy would be adjusted to the accumulated profits at 1 April 2018 as they considered the carrying amount of the payment for a life insurance policy at 31 March 2018 approximates to its fair value upon initial application of HKFRS 9.

Apart from the payment for a life insurance policy, there were no effects of transition to HKFRS 9 on the carrying amounts of financial assets under HKAS 39 based on the measurement category under HKFRS 9 on 1 April 2018.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 April 2018 in accordance with the transitional provisions therein.

The following tables show the amount at 31 March 2019 reported under HKFRS 15 would be affected if HKFRS 15 were not applied:

	Amounts reported if HKFRS 15 were not adopted	**Adjustment**	**Amounts reported under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2019			
Contract assets	–	103,560	103,560
Amounts due from customers for contract works	83,117	(83,117)	–
Trade and other debtors, deposit and prepayments	60,673	(20,443)	40,230
Contract liabilities	–	(1,975)	(1,975)
Amounts due to customers for contract works	(1,975)	1,975	–

Within the context of HKFRS 15, a receivable is an entity's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due. If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional, before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied upon the application of HKFRS 15. Approximately HK$83,117,000 of amounts due from customers for contract works and approximately HK$1,975,000 of amounts due to customers for contract works were reclassified to contract assets and contract liabilities respectively.

Upon the application of HKFRS 15, retention receivables of approximately HK$20,443,000 previously included in trade and other debtors, and prepayments were reclassified to contract assets.

Other from the above reclassifications, the adoption of the HKFRS 15 does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	*2015–2017 Cycle* [1]
HKFRS 16	*Leases* [1]
IFRIC 23	*Uncertainty over Income Tax Treatments* [1]
Amendments to HKAS 19	*Employee Benefits* [1]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKASs 1 and 8	*Definition of Material* [2]
Amendments to HKFRS 3	*Definition of a Business* [3]
HKFRS 17	*Insurance Contracts* [4]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2020*
[3] *Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020*
[4] *Effective for annual periods beginning on or after 1 January 2021*
[5] *The effective date to be determined*

Save for HKFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 14 to the consolidated financial statements, at 31 March 2019, the total future minimum lease payables under non-cancellable operating leases of the Group in respect of office premises amounted to approximately HK$2,758,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statements of cash flows.

3. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Revenue from management contracting services	**132,733**	129,668
Revenue from consultancy services	**2,700**	1,146
Revenue from maintenance services	**36**	72
	135,469	130,886

All revenue generated by the Group during the year ended 31 March 2019 was from contracts with customers within HKFRS 15, recognised over time and with fixed type of transaction price.

4. SEGMENT INFORMATION

The executive directors of the Company, who have been identified as the chief operating decision makers review the Group's internal reports in order to assess performance and allocate resources.

Based on the products and services offered by the Group to the customers, the executive directors of the Company consider that the operating segments are as follows:

Management contracting services:	provision of design, procurement and installation services of the water circulation systems
Consultancy services:	provision of consultancy services on water circulation systems
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 to the consolidated financial statements. Segment profit represents the profit earned by each reportable and operating segment without allocation of other income, administrative expenses, listing expenses, finance costs and income tax expenses. 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 overdrafts.

The segment information for the reportable and operating segments for the years ended 31 March 2019 and 2018 is as follows:

	Management contracting services *HK$'000*	**Consultancy services** *HK$'000*	**Maintenance services** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019				
Revenue from external customers and segment revenue	**132,733**	**2,700**	**36**	**135,469**
Segment profits	**24,764**	**1,331**	**11**	**26,106**
Other income				**271**
Administrative expenses				**(20,082)**
Finance costs				**(2,568)**
Profit before income tax				**3,727**

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Total *HK$'000*
Year ended 31 March 2018				
Revenue from external customers and segment revenue	129,668	1,146	72	130,886
Segment profits	24,575	576	21	25,172
Other income				74
Administrative expenses				(15,395)
Listing expenses				(4,373)
Finance costs				(1,393)
Profit before income tax				4,085

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

	Management contracting services ***HK$'000***	**Consultancy services** ***HK$'000***	**Maintenance services** ***HK$'000***	**Total** ***HK$'000***
At 31 March 2019				
Assets				
Segment assets	**136,036**	**–**	**–**	**136,036**
Pledged and restricted bank deposits				**17,366**
Bank balances and cash				**23,446**
Payment for a life insurance policy				**2,647**
Other debtors, deposits and prepayments				**7,754**
Property, plant and equipment				**761**
Consolidated assets				**188,010**
Liabilities				
Segment liabilities	**31,993**	**–**	**–**	**31,993**
Bank borrowings				**49,166**
Bank overdrafts				**4,669**
Other creditors and accrued expenses				**3,842**
Consolidated liabilities				**89,670**

	Management contracting services HK$'000	Consultancy services HK$'000	Maintenance services HK$'000	Total HK$'000
At 31 March 2018				
Assets				
Segment assets	103,671	–	–	103,671
Pledged and restricted bank deposits				2,733
Bank balances and cash				28,094
Payment for a life insurance policy				2,650
Other debtors, deposits and prepayments				8,256
Property, plant and equipment				910
Consolidated assets				146,314
Liabilities				
Segment liabilities	13,556	–	–	13,556
Bank borrowings				26,943
Obligations under finance leases				277
Bank overdrafts				7,705
Other creditors and accrued expenses				2,475
Consolidated liabilities				50,956

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

	Management contracting services *HK$'000*	**Consultancy services** *HK$'000*	**Maintenance services** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2019				
Other information				
Additions to property, plant and equipment	**559**	**–**	**–**	**559**
Depreciation of property, plant and equipment	**664**	**–**	**–**	**664**
Written-off of property, plant and equipment	**17**	**–**	**–**	**17**
Year ended 31 March 2018				
Other information				
Additions to property, plant and equipment	157	–	–	157
Depreciation of property, plant and equipment	687	–	–	687

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**121,190**	120,649
Macau	**14,279**	10,237
	135,469	130,886

The following is an analysis of the carrying amounts of non-current assets, excluding payment for a life insurance policy, analysed by the geographical area in which the assets are located:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**756**	902
Macau	**5**	8
	761	910

Information about major customers

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

	2019	2018
	HK$'000	*HK$'000*
Customer A and its affiliated companies	**117,162**	114,892

5. PROFIT BEFORE INCOME TAX

This is stated after charging:

	2019 HK$'000	2018 HK$'000
Staff costs and related expenses (including directors' remuneration):		
Directors' emolument	**3,993**	3,827
Salaries, allowances and other benefits	**12,835**	9,819
Discretionary bonus	**–**	–
Contributions to defined contribution plans	**490**	386
	17,318	14,032
Less: Amount included in cost of services	**(9,716)**	(7,177)
	7,602	6,855
Other items		
Auditors' remuneration	**650**	700
Contract costs recognised as expenses*	**107,969**	105,093
Loss on disposal of property, plant and equipment	**24**	–
Depreciation of property, plant and equipment	**664**	687
Operating lease payments on premises	**2,174**	1,810
Written-off of property, plant and equipment	**17**	–

* Contract costs included approximately HK$39,903,000 (2018: approximately HK$53,583,000) and approximately HK$8,347,000 (2018: approximately HK$6,607,000) relating to the consumables and staff cost respectively which are also included in the amounts disclosed separately above.

6. INCOME TAX EXPENSES

	2019 HK$'000	2018 HK$'000
Hong Kong Profits tax		
Current year	**448**	965
Macau Complementary Tax		
Current year	**297**	137
	745	1,102
Deferred tax	**–**	–
Total income tax expenses for the year	**745**	1,102

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the year ended 31 March 2019, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime.

Hong Kong Profits Tax had been provided at the rate of 16.5% of the Group's estimated assessable profit arising from Hong Kong during the year ended 31 March 2018.

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% (2018: 12%) on the taxable income above Macau Pataca ("MOP") 600,000.

Reconciliation of income tax expenses

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**3,727**	4,085
Applicable income tax rates of 16.5% (2018: 16.5%)	**615**	674
Non-deductible expenses	**435**	783
Tax exempt revenue	**(160)**	(104)
Utilisation of previously unrecognised tax losses	**–**	(190)
Unrecognised tax losses	**46**	26
Difference in tax rates of a subsidiary operating in another jurisdiction	**(111)**	(87)
Others	**(80)**	–
Income tax expenses	**745**	1,102

The applicable tax rate is the Hong Kong Profits Tax rate of 16.5% (2018:16.5%).

7. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year attributable to the owners of the Company, used in basic and diluted earnings per share calculation	**2,982**	2,983
	Number of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**1,300,000,000**	1,251,027,000

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2019 and 2018.

8. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2019 (2018: Nil).

9. CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

9(a) Contract assets (liabilities)

	2019
	HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred	**405,224**
Recognised profits less recognised losses	**152,164**
Less: Progress billings	**(476,246)**
	81,142
Retention receivables	**20,443**
	101,585
Represented by:	
Contract assets	**103,560**
Contract liabilities	**(1,975)**
	101,585

9(b) Amounts due from customers for contract works

	2018
	HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred	308,291
Recognised profits less recognised losses	120,439
	428,730
Less: Progress billings	(349,075)
Amounts due from customers for contract works	79,655

At 31 March 2018, retention held by customers for contract works of approximately HK$9,968,000 was included in trade and other debtors, deposits and prepayments, which are set out in Note 10(b) to the consolidated financial statements.

10. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	**2019** **_HK$'000_**	2018 *HK$'000*
Trade debtors	10(a)	**32,476**	14,048
Retention receivables	10(b)	**–**	9,968
Advances to staff	10(c)	**2,250**	2,250
Pledged deposits to an insurance company	10(d)	**647**	757
Other debtors, deposits and prepayments		**4,857**	5,249
		40,230	32,272

10(a) 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 ageing analysis of trade debtors based on invoice date at the end of the reporting period is as follows:

	2019 **_HK$'000_**	2018 *HK$'000*
Within 30 days	**21,161**	12,449
31 to 60 days	**7,303**	212
Over 60 days	**4,012**	1,387
	32,476	14,048

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

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

	2019 **_HK$'000_**	2018 *HK$'000*
Within 30 days	**7,303**	212
More than 30 days	**4,012**	1,387
	11,315	1,599

10(b) Retention receivables at 31 March 2018 were unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects. The retention receivables were to be settled, based on the expiry of the defect liability period, at 31 March 2018:

	2018
	HK$'000
On demand or within one year	2,550
After one year	7,418
	9,968

Retention receivables were reclassified to contract assets (Note 9(a)) upon initial application of HKFRS 15 on 1 April 2018.

10(c) Advances to staff are unsecured, interest-free and repayable on demand, which mainly consist of advances to the following executive directors of approximately HK$1,250,000 (2018: approximately HK$1,250,000).

Details of advances to the executive directors are as follows:

Name of directors	**Outstanding amount**				
	Greatest during the year ended				
			At	At	At
	31 March 2019	31 March 2018	**31 March 2019**	31 March 2018	1 April 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Mr. Ng Wan Lok	**750**	750	**750**	750	–
Ms. Wong Wing Hung	**500**	500	**500**	500	–
			1,250	1,250	–

The advances made available to the executive directors are intended to be applied for payment of relevant enhancement courses or programs taken by the directors relating to the business and development of the Group.

10(d) Pledged deposits of approximately HK$647,000 (2018: approximately HK$757,000) to an insurance company is the security for issuance of performance bonds in respect of contracts for management contracting services with prevailing market rates at 0.2% (2018: 0.05% to 0.10%) per annum.

11. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Trade creditors	**29,702**	11,836
Other creditors and accrued expenses	**3,842**	2,475
	33,544	14,311

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**8,710**	1,486
31 to 60 days	**7,551**	1,089
61 to 90 days	**1,780**	1,550
Over 90 days	**11,661**	7,711
	29,702	11,836

12. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Secured	**49,166**	25,853
Unsecured	**–**	1,090
	49,166	26,943

The bank borrowings are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
On demand or within one year	**47,173**	24,950
More than five years	**1,993**	1,993
	49,166	26,943
Less: Amount due within one year shown under current liabilities	**(47,173)**	(24,950)
Amount due after one year shown under non-current liabilities	**1,993**	1,993

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**35,760**	24,950
Within a period of more than one year but not exceeding two years	**5,087**	–
Within a period of more than two years but not exceeding five years	**6,326**	–
Over five years	**1,993**	1,993
	49,166	26,943

Except for bank borrowings of approximately HK$1,933,000 (2018: approximately HK$1,993,000) which are denominated in United Stated dollar and approximately HK$888,000 (2018: Nil) which are denominated in British Pound, all the remaining bank borrowings are denominated in HK$. The bank borrowings carry floating interest rates ranging from 3.35% to 5.88% (2018: 3.35% to 5.75%) per annum based on prime rate or London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") plus a spread.

At 31 March 2019, bank borrowing amounting to approximately HK$39,506,000 (2018: approximately HK$23,860,000) is secured by pledged bank deposit of approximately HK$13,139,000 (2018: approximately HK$2,506,000) and guaranteed by the Company for HK$55,000,000 (2018: HK$37,000,000).

At 31 March 2019, bank borrowing amounting to approximately HK$7,667,000 is secured by pledged bank deposit of approximately HK$4,000,000 (2018: Nil) and guaranteed by the Company for HK$4,000,000 (2018: Nil).

At 31 March 2019, bank borrowing amounting to HK$1,993,000 (2018: HK$1,993,000) is secured by payment for a life insurance policy.

At 31 March 2018, bank borrowing amounting to HK$1,090,000 was guaranteed by the Company for HK$5,000,000 and was fully settled during the year ended 31 March 2019.

13. SHARE CAPITAL

	Note	**Number of shares**	***HK$***
Ordinary share of HK$0.01 each			
Authorised:			
At 1 April 2017, 31 March 2018 and **31 March 2019**		**2,000,000,000**	**20,000,000**
Issued and fully paid:			
At 1 April 2017		10,000	100
Capitalisation Issue	(i)	974,990,000	9,749,900
Issuance of new shares by way of public offer	(ii)	325,000,000	3,250,000
At 31 March 2018 and **31 March 2019**		**1,300,000,000**	**13,000,000**

Notes:

(i) 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 of the Company, 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 (the "Capitalisation Issue"). The Capitalisation Issue was completed on 26 May 2017.

(ii) 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.

14. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Within one year	**2,215**	1,357
In the second year	**543**	1,276
	2,758	2,633

15. PERFORMANCE BONDS

	2019	2018
	HK$'000	*HK$'000*
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	**2,148**	1,928

Certain customers require the Group to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit to such bank or insurance company. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. The Group will then become liable to compensate the bank or insurance company accordingly. During the years ended 31 March 2019 and 2018, no customers called any performance bond. Typically, the estimated consideration is not constrained for revenue recognition.

16. PLEDGE OF ASSETS

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

	2019	2018
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**17,366**	2,733
Pledged deposits to an insurance company	**647**	757
Payment for a life insurance policy	**2,647**	2,650
	20,660	6,140

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. We provide services mainly to developers, main contractors and subcontractors in various private residential projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our services are mainly categorized as (i) management contracting services – design, procurement and installation of water circulation systems, (ii) consultancy services – provision of consultancy services on water circulation systems and (iii) maintenance services – provision of maintenance and repair services for water circulation systems. For the year ended 31 March 2019, the Group had 24 management contracting projects and 4 consulting projects (2018: 26 management contracting projects and 1 consulting project) with revenue contribution.

Looking forward, the Directors consider that the future opportunities and challenges facing the Group will continue to be affected by the development of the property market in Hong Kong, the recovery of gaming market in Macau and factors affecting the labour costs and material costs as well as the external macroeconomic slowdown. The high labour cost of the experienced labour is also one of the factors to affect the profit margins among the industry peers. The Group's construction businesses will continue to face intense competition to secure projects while we use our best efforts to manage the progress and costs of projects.

Riding on our solid experience in design, procurement and installation services of water circulation system and our established business connection with various main contractors and property developers in the industry, the Group will explore the opportunities to expand our businesses into other building related contracting services in Hong Kong, Macau and China to maintain the continuous growth of the Group. With the Group's proven track record, experienced management team and reputation in the market, the Directors consider that the Group is well-positioned, well-equipped and confident to compete against its competitors and sustain its development amid the increasingly challenging external business environment. The Directors will keep close track of the economic environment and evaluate its business strategies from time to time to adapt the challenging market for the sustainable development of the Group and grasp the opportunities to enhance the long-term potential growth in future.

Financial Review

Revenue

Our total revenue increased by approximately HK$4.6 million or 3.5% from approximately HK$130.9 million for the year ended 31 March 2018 to approximately HK$135.5 million for the year ended 31 March 2019. The increase in our revenue was attributable to the combined effect of:

(i) the increase in the revenue derived from management contracting services by approximately HK$3.0 million or 2.4%, from approximately HK$129.7 million for year ended 31 March 2018 to approximately HK$132.7 million for the year ended 31 March 2019. Such increase was primarily derived from increase in revenue from projects located at Tai Po, Southern District and Fanling of approximately HK$28.1 million, while such increase was partially offset by the decrease in revenue from projects located at Tseung Kwan O and Western District of approximately HK$26.7 million for the year ended 31 March 2018 when compared with the year ended 31 March 2019; and

(ii) the increase in the revenue derived from consultancy services by approximately HK$1.6 million or 135.6%, from approximately HK$1.1 million for year ended 31 March 2018 to approximately HK$2.7 million for the year ended 31 March 2019.

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$3.7 million or 3.5% from approximately HK$105.7 million for the year ended 31 March 2018 to approximately HK$109.4 million for the year ended 31 March 2019, such increase was primarily driven by the increase in cost of sub-contracting fees of approximately HK$16.4 million, which was partially offset by the decrease in consumables costs of approximately HK$13.7 million for the year ended 31 March 2019.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$0.9 million or 3.7% from approximately HK$25.2 million for the year ended 31 March 2018 to approximately HK$26.1 million for the year ended 31 March 2019. Such increase was primarily attributable to the increase in gross profit of approximately HK$0.8 million from the consultancy services.

The overall gross profit margin remained relatively stable at approximately 19.3% (2018: approximately 19.2%) for the year ended 31 March 2019.

Other income

Our other income increased from approximately HK$74,000 for the year ended 31 March 2018 to approximately HK$271,000 for the year ended 31 March 2019, primarily due to the increase in interest income on the time deposit.

Administrative expenses

Our administrative expenses increased by approximately HK$4.7 million or 30.4% from approximately HK$15.4 million for the year ended 31 March 2018 to approximately HK$20.1 million for the year ended 31 March 2019. Such increase was primarily due to the increase in (i) post listing expenses such as legal and professional fees for compliance purpose following the listing of shares of the Company (the "Shares") on GEM (the "Listing") in May 2017; (ii) the bank handling charge for the renewal of banking facility; (iii) staff cost as a result of the recruitment of additional senior staff for the year ended 31 March 2019; and (iv) rental expenses as a result of change of head office and principal place of business in Hong Kong.

Finance costs

Our finance costs increased by approximately HK$1.2 million or 84.4% from approximately HK$1.4 million for the year ended 31 March 2018 to approximately HK$2.6 million for the year ended 31 March 2019, primarily due to the increase in the level of bank borrowings to finance the projects which have been at early stage during the year.

Listing expenses

During the year ended 31 March 2018, our Group recognised non-recurring listing expenses of approximately HK$4.4 million as expenses in connection with the Listing. No such expenses were recognised for the year ended 31 March 2019.

Income tax expenses

Our income tax expense decreased by approximately HK$0.4 million or 32.4% from approximately HK$1.1 million for the year ended 31 March 2018 to approximately HK$0.7 million for the year ended 31 March 2019. Such decrease was primarily driven by the decrease in Hong Kong Profits Tax of HK$0.5 million, which was partially offset by the increase in Macau profit tax of approximately HK$0.1 million as a result of the increase in profit before tax recorded for our Macau operation.

Net Profit

As a result of the foregoing, our net profit for the year remained relatively stable at approximately HK$3.0 million (2018: approximately HK$3.0 million) for the year ended 31 March 2019.

If the non-recurring listing expenses charged to the profit or loss was excluded, our adjusted net profit decreased by approximately HK$4.4 million or 59.5% from approximately HK$7.4 million for the year ended 31 March 2018 to approximately HK$3.0 million for the year ended 31 March 2019.

Dividend

No dividend was declared or proposed by the Board for both years ended 31 March 2019 and 2018.

Liquidity, financial resources and funding

As at 31 March 2019, the Group had total assets of approximately HK$188.0 million (2018: approximately HK$146.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$89.7 million (2018: approximately HK$51.0 million) and approximately HK$98.3 million (2018: approximately HK$95.3 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2019 were approximately HK$53.8 million (2018: approximately HK$34.6 million), and current ratio as at 31 March 2019 was approximately 2.1 times (2018: approximately 2.9 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, increased from approximately 36.6% as at 31 March 2018 to approximately 54.7% as at 31 March 2019, primarily due to the increase in the level of bank borrowings outweighed the increase in the total equity. The increase in the level of bank borrowings was primarily due to the additional term loan raised during the year, whereas the increase in the total equity was primarily due to the net profit for the year ended 31 March 2019.

Capital structure

The Shares were successfully listed on the GEM Board 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 2019 and 31 March 2018, the Company's issued share capital was HK$13,000,000 divided into 1,300,000,000 ordinary Shares of par value 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$2.8 million as at 31 March 2019 (2018: approximately HK$2.6 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 2019, 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 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

Save as disclosed in note 15 of the notes to the consolidated financial statements, as at 31 March 2019 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 16 of notes to the consolidated financial statements, as at 31 March 2019 and 2018, the Group did not have other pledge of assets.

Employees and remuneration policies

As at 31 March 2019, the Group employed a total of 37 employees (2018: 36 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$17.3 million for the year ended 31 March 2019 (2018: approximately HK$14.0 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.

Events after the Reporting Period

The Board is not aware of any important events after the reporting period that requires disclosure.

COMPLETING INTEREST

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 2019.

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 and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2019, 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 the code provision A.2.1 of the CG Code, the role of chairman and chief executive 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 2019.

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 2019.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 16 May 2017 (the "Prospectus") with the Group's actual business progress for the period from the Listing Date to 31 March 2019 is set out below:

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2019 as stated in the Prospectus	Actual business progress up to 31 March 2019
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. Up to 31 March 2019, the Group has paid approximately HK$0.8 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.
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 one engineer.	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$3.5 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 to sponsor its engineering staff to attend technical seminars and safety courses organised by third parties.

Business strategies as stated in the Prospectus	Business objectives up to 31 March 2019 as stated in the Prospectus	Actual business progress up to 31 March 2019
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 has purchased tools and equipment of approximately HK24,000 for the reporting period. The Group is in the process of selecting other 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 2019, the net proceeds had been utilised as follows:

	Actual net proceeds	Amount utilised as at 31 March 2019	Balance
	HK$ million	*HK$ million*	*HK$ million*
Strengthening of the Group's industry position and expansion of business	19.4	0.8	18.6
Repayment of bank loans	7.6	7.6	–
Strengthening of the Group's technical and project management capabilities	3.6	3.6	–
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	–
	38.0	15.3	22.7

Due to the increasingly challenging external business environment and the actual development of the Group, the Group did not fully utilise the net proceeds as per the planned time frame with reference to the disclosure in the Prospectus.

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 year ended 31 March 2019.

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 re-appointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness 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 2019 and this announcement 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 2019 as set out in the preliminary announcement have been agreed by the Group’s auditor, Mazars CPA Limited, to the amounts set out in the Group’s draft audited consolidated financial statements for the year ended 31 March 2019. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

INTEREST OF THE COMPLIANCE ADVISER

As at 31 March 2019, 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.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") for the financial year 2019 of the Company is scheduled to be held on 30 August 2019 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 Tuesday, 27 August 2019 to Friday, 30 August 2019, 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 (which address will be changed to level 54, Hopewell Centre, 183 Queen's Road East , Hong Kong with effect from 11 July 2019), for registration by no later than 4:30 p.m. on Monday, 26 August 2019.

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 Financial Year 2018/2019 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 Chief Executive Officer

Hong Kong, 17 June 2019

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.