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 2017

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 2017, together with the comparative audited figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*2*	**109,450**	90,905
Cost of services		**(81,996)**	(67,264)
Gross Profit		**27,454**	23,641
Other income		**11**	15
Administrative expenses		**(11,292)**	(8,613)
Other expenses		**(12,507)**	(2,597)
Finance costs		**(937)**	(638)
Profit before tax		**2,729**	11,808
Income tax expense	*5*	**(1,915)**	(2,199)
Profit and total comprehensive income for the year	*4*	**814**	9,609
Earnings per share			
Basic *(HK cents)*	*7*	**0.08**	1.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,440**	1,979
Payment for a life insurance policy		**2,653**	2,656
		4,093	4,635
CURRENT ASSETS			
Amounts due from customers for contract works	*8*	**41,980**	16,491
Trade and other debtors, deposits and prepayments	*9*	**22,731**	19,147
Pledged and restricted bank deposits		**473**	1,833
Bank balances and cash		**1,058**	8,773
		66,242	46,244
CURRENT LIABILITIES			
Amounts due to customers for contract works	*8*	**341**	393
Trade and other creditors and accrued expenses	*10*	**14,514**	5,354
Bank borrowings – due within one year		**9,649**	8,563
Obligations under finance leases		**549**	551
Taxation payable		**2,481**	4,195
Bank overdraft – secured		**2,957**	1,512
		30,491	20,568
NET CURRENT ASSETS		**35,751**	25,676
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,844**	30,311

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**3,944**	2,676
Obligations under finance leases		**277**	826
		4,221	3,502
		35,623	26,809
CAPITAL AND RESERVES			
Share capital	*11*	**–**	69
Reserves		**35,623**	26,740
		35,623	26,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. APPLICATION OF 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 2016 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]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
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 10 and HKAS 28	Sale or Contribution of Assets and between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

[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 2017*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company have assessed the impact of HKFRS 15, and consider that the requirements to recognise revenue over the time under HKFRS 15 is similar to the current revenue recognition policy on construction contracts of the Group and therefore, anticipate that the application of HKFRS 15 will have no material impact on the financial statements of the Group in the future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows and finance lease payments as financing cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$1,992,000 as disclosed in note 12. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have significant impact on the Group's consolidated financial statements.

2. 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:

	2017	2016
	HK$'000	*HK$'000*
Revenue from management contracting services	**106,991**	89,823
Revenue from consultancy services	**2,279**	1,017
Revenue from maintenance services	**180**	65
	109,450	90,905

3. SEGMENT INFORMATION

Information reported to the 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 system
Consultancy services	–	provision of consultancy services on design of water circulation system
Maintenance services	–	provision of maintenance and repair services for water circulation system and replacement of parts

Segment profit represents the profit earned by each reportable and operating segment without allocation of corporate income, central administrative costs, 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 2017

	Management contracting services *HK$'000*	**Consultancy services** *HK$'000*	**Maintenance services** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE				
External sales	**106,991**	**2,279**	**180**	**109,450**
Segment profit	**26,196**	**1,128**	**130**	**27,454**
Corporate income				**11**
Central administrative and other expenses				**(23,799)**
Finance costs				**(937)**
Profit before tax				**2,729**

For the year ended 31 March 2016

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE				
External sales	89,823	1,017	65	90,905
Segment profit	22,974	634	33	23,641
Corporate income				15
Central administrative and other expenses				(11,210)
Finance costs				(638)
Profit before tax				11,808

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

As at 31 March 2017

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

As at 31 March 2016

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	37,609	8	–	37,617
Pledged and restricted bank deposits				1,833
Bank balances and cash				8,773
Payment for a life insurance policy				2,656
Consolidated assets				50,879
LIABILITIES				
Segment liabilities	9,940	2	–	9,942
Bank borrowings				11,239
Obligations under finance leases				1,377
Bank overdraft				1,512
Consolidated liabilities				24,070

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

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	**692**	**–**	**–**	**692**

For the year ended 31 March 2016

	Management contracting services *HK$'000*	Consultancy services *HK$'000*	Maintenance services *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION				
Additions to property, plant and equipment	492	–	–	492
Depreciation of property, plant and equipment	692	–	–	692
Gain on disposal of property, plant and equipment	5	–	–	5

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

	2017 ***HK$'000***	2016 *HK$'000*
Hong Kong	**53,045**	21,329
Macau	**56,405**	69,576
	109,450	90,905

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

	2017 ***HK$'000***	2016 *HK$'000*
Hong Kong	**1,429**	1,964
Macau	**11**	15
	1,440	1,979

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**71,115**	65,393
Customer B	**12,883**	N/A[1]

[1] Revenue from customer is less than 10% of the total revenue of the Group for the relevant year.

4. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**700**	90
Depreciation of property, plant and equipment	**692**	629
Amortisation of payment for a life insurance policy	**11**	11
Gain on disposal of property, plant and equipment	**–**	(5)
Operating lease rentals	**1,863**	1,535
Staff costs		
Directors' emoluments	**3,040**	2,362
Other staff costs:		
Salaries, discretionary bonus and other benefits	**7,792**	5,208
Retirement benefit scheme contributions	**342**	260
Total staff costs	**11,174**	7,830
Less: Amount capitalised in respect of contracts in progress	**(5,569)**	(4,314)
	5,605	3,516
Contract costs recognised as expenses	**80,795**	66,849
Net exchange loss	**104**	8

5. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	–
Macau tax		
Current tax	**1,915**	2,317
Deferred taxation credit	**–**	(118)
	1,915	2,199

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:

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**2,729**	11,808
Tax charge at Hong Kong Profits Tax rate of 16.5%	**450**	1,948
Tax effect of expenses not deductible for tax purpose	**2,203**	446
Tax effect of income not taxable for tax purpose	**(606)**	(195)
Tax effect of tax losses not recognised	**170**	270
Tax effect of different tax rates of subsidiary operating in other jurisdiction	**(302)**	94
Others	**–**	(364)
Income tax expense for the year	**1,915**	2,199

6. DIVIDEND

An interim dividend of HK$5,176,000 was recognised as distribution by Harmony Asia Limited ("Harmony Asia"), an indirect wholly-owned subsidiary of the Company, to its then sole shareholder, namely Mr. Nam Ho Kwan, during the year ended 31 March 2016.

No dividend was declared or proposed by the directors of the Company for the year ended 31 March 2017.

7. EARNING PER SHARES

The calculation of the basic earnings per share during the year is based on the earnings for the year, and based on the assumption that the reorganisation and the capitalisation issue of 974,990,000 shares as explained in the sections headed "History, Reorganisation and Corporate Structure" and "Share Capital" respectively in the prospectus of the Company dated 16 May 2017 (the "Prospectus") had been effective on 1 April 2015 and as adjusted for the capital contributions by shareholders during the year.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year)	**814**	9,609
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**972,898,000**	751,411,000

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

8. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2017	2016
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred	**211,522**	138,665
Recognised profits less recognised losses	**87,723**	53,901
	299,245	192,566
Less: Progress billings	**(257,606)**	(176,468)
	41,639	16,098
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**41,980**	16,491
Amounts due to customers for contract works	**(341)**	(393)
	41,639	16,098

At the end of reporting period, retention held by customers for contract works amounted to HK$10,104,000 (2016: HK$8,127,000), which are set out in note 9.

9. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade debtors	**11,156**	10,630
Retention receivables *(Note a)*	**10,104**	8,127
Pledged deposits to an insurance company *(Note b)*	**352**	–
Other debtors, deposits and prepayments	**1,119**	390
	22,731	19,147

Notes:

(a) 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.

(b) Pledged deposits of HK$352,000 (2016: Nil) 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% (2016: Nil) per annum.

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

	2017	2016
	HK$'000	*HK$'000*
On demand or within one year	**2,820**	1,246
After one year	**7,284**	6,881
	10,104	8,127

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 aged analysis of trade debtors presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**7,347**	9,614
More than 30 days and within 60 days	**34**	766
More than 60 days	**3,775**	250
	11,156	10,630

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 aged analysis presented based on the invoice date of the trade debtors which are past due but not impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
More than 30 days and within 60 days	**34**	766
More than 60 days	**3,775**	250
	3,809	1,016

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.

10. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Trade creditors	**9,452**	3,585
Accrued listing expenses	**3,095**	–
Other creditors and accrued expenses	**1,967**	1,769
	14,514	5,354

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**2,544**	3,002
More than 30 days and within 60 days	**637**	177
More than 60 days	**6,271**	406
	9,452	3,585

11. SHARE CAPITAL

For the purpose of these consolidated financial statements, the issued capital of the Group at 1 April 2015 represents the combined share capital of Best Innovation Limited ("Best Innovation Hong Kong"), an indirect wholly-owned subsidiary of the Company, of 100,000 shares of HK$100,000, Best Innovation Limited ("Best Innovation Macau"), an indirect wholly-owned subsidiary of the Company, of MOP25,000 and Harmony Asia of 200,000 shares of HK$200,000. The issued capital of the Group as at 31 March 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		
Authorised:		
At 23 November 2015 (date of incorporation) and 31 March 2016	US$1	50,000
Cancellation of shares *(Note)*	US$1	(50,000)
Creation of shares *(Note)*	HK$0.01	2,000,000,000
At 31 March 2017	HK$0.01	2,000,000,000

	Nominal value per share	Number of shares	Share capital	
			US$'000	*HK$'000*
Issued and fully paid:				
At date of incorporation	US$1	1	–	–
Issue of shares on 5 February 2016	US$1	8,875	9	69
At 31 March 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 *(Note)*	US$1	(10,000)	(10)	(78)
Issue of shares on 19 January 2017 *(Note)*	HK$0.01	10,000		–
At 31 March 2017	HK$0.01	10,000		–

Note:

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 ("Harmony Asia International"), Global Equity Value Fund SPC FRO Capital Fund I SP and 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.

12. 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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**1,609**	417
In the second to fifth year inclusive	**383**	–
	1,992	417

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

13. CONTINGENT LIABILITIES

	2017	2016
	HK$'000	*HK$'000*
Indemnities issued to banks and an insurance company for performance bonds in respect of construction contracts	**1,464**	832

14. 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:

	2017	2016
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**473**	1,833
Pledged deposits to an insurance company	**352**	–
Payment for a life insurance policy	**2,653**	2,656
	3,478	4,489

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 2017, the Group had 19 management contracting projects and 4 consulting projects (2016: 22 management contracting projects and 2 consulting projects) with revenue contribution. The demands for the Group's management contracting services and consulting services remained at a high level and thus, the revenue of the Group recorded a significant growth in the year ended 31 March 2017.

Looking forward, although certain challenging factors such as (i) the intense competition in the market; (ii) continuous rise of construction labour and material costs; and (iii) the increase in staff costs and shortage of the professional may exert pressure on the Group's business, the Group remains cautiously optimistic about the overall business prospects. The Group is of the view that the development of five-star hotels and private residential projects in Hong Kong and Macau, the expansion of theme park and the recovery of Macau gaming market remains to be the key drivers 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 following key business strategies: (i) strengthening our industry position and expanding our business by making use of additional financial resources available from the listing (the "Listing") of the shares of the Company (the "Shares") on GEM of the Stock Exchange on 26 May 2017 (the "Listing Date"), which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) establishing a Macau office/warehouse, which will signify our Group's presence and commitment to Macau projects, giving confidence to our potential Macau customers and enhancing our reputation in Macau; and (iii) strengthening our technical and project management capabilities through recruiting additional qualified and experienced staff.

Financial Review

Revenue

Our total revenue increased by approximately HK$18.6 million or 20.5% from approximately HK$90.9 million for the year ended 31 March 2016 to approximately HK$109.5 million for the year ended 31 March 2017. The increase in our revenue was primarily derived from revenue from projects located at Macau, Western District, Kennedy Town and So Kwun Wat, Tuen Mun of approximately HK$61.3 million, and such increase was partially offset by the decrease in revenue from another project in Macau of approximately HK$48.0 million for the year ended 31 March 2017 when compared with the year ended 31 March 2016 as this project is approaching the expected completion date, and substantial amount of revenue had been recognised in prior years.

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$14.7 million or 21.8% from approximately HK$67.3 million for the year ended 31 March 2016 to approximately HK$82.0 million for the year ended 31 March 2017, such increase was primarily driven by the increase in cost of consumables which was partially offset by the decrease in sub-contracting fees.

The increase in cost of consumables of approximately HK$18.4 million for the year ended 31 March 2017 was mainly attributable to the increasing amount of parts and components procured and installed for our projects; whereas the decrease in sub-contracting fees of approximately HK$5.3 million for the year ended 31 March 2017 was mainly due to the substantial completion of a project in Macau.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$3.9 million or 16.5% from approximately HK$23.6 million for the year ended 31 March 2016 to approximately HK$27.5 million for the year ended 31 March 2017. Such increase was primarily attributable to the increase in gross profit for management contracting services of approximately HK$3.2 million and the increase in gross profit for consultancy services of approximately HK$0.5 million, which were consequential to the increase in our revenue for the year ended 31 March 2017.

Our gross profit margin slightly decreased from approximately 26.0% for the year ended 31 March 2016 to approximately 25.1% for the year ended 31 March 2017. The decrease was mainly due to the decrease in revenue derived from projects in Macau. Generally, our projects in Macau enjoy a relatively higher gross profit margin as compared to projects in Hong Kong.

Other income

Our other income decreased from approximately HK$15,000 for the year ended 31 March 2016 to approximately HK$11,000 for the year ended 31 March 2017, primarily due to the non-occurrence of the gain on disposal of property, plant and equipment for the year ended 31 March 2017, and partially offset by the increase in interest income.

Administrative and other expenses

Our administrative expenses increased by approximately HK$2.7 million or 31.4% from approximately HK$8.6 million for the year ended 31 March 2016 to approximately HK$11.3 million for the year ended 31 March 2017. Such increase was primarily due to (i) the increase in salaries of our directors and the employment of five additional administrative staff; and (ii) the renting of additional office premises in Hong Kong and staff quarters in Macau.

Finance costs

Our finance costs increased by approximately HK$0.3 million or 50.0% from approximately HK$0.6 million for the year ended 31 March 2016 to approximately HK$0.9 million for the year ended 31 March 2017, primarily due to the surcharge interest charged by a bank for the early settlement of a term loan and a trade line, and the increase in the level of bank borrowings.

Other expenses

Our other expenses increased from approximately HK$2.6 million for the year ended 31 March 2016 to approximately HK$12.5 million for the year ended 31 March 2017, primarily due to the non-recurring listing expenses charged to the profit or loss for the year ended 31 March 2017.

Income tax expense

Our income tax expenses amounted to approximately HK$2.2 million for the year ended 31 March 2016 and approximately HK$1.9 million for the year ended 31 March 2017. The net tax provision provided for Macau profits tax remained relatively stable, amounted to approximately HK$2.3 million and HK$1.9 million for the years ended 31 March 2016 and 2017.

The net tax provision provided for Hong Kong Profits Tax was nil for the years ended 31 March 2016 and 2017. Our Hong Kong operation recorded a gross profit for the years ended 31 March 2016 and 2017. However, because of (i) the increase in administrative expenses incurred for our central expenses including salaries and allowances and rent and rates; and (ii) the projects located at Kennedy Town and Sham Shui Po have zero gross profit margin due to the disagreement with a customer, we recorded a loss before tax and accordingly, no tax provision was made for Hong Kong Profits Tax for the years ended 31 March 2016 and 2017.

Net Profit

As a result of the foregoing, our net profit for the year decreased by approximately HK$8.8 million or 91.7% from approximately HK$9.6 million for the year ended 31 March 2016 to approximately HK$0.8 million for the year ended 31 March 2017.

Our net profit margin also decreased from approximately 10.6% for the year ended 31 March 2016 to approximately 0.7% for the year ended 31 March 2017, such decrease was mainly attributable to the non-recurring listing expenses charged to profit or loss for the year ended 31 March 2017.

Dividend

The Board did not recommend the payment of dividend for the year ended 31 March 2017 (2016: approximately HK$5.2 million). No dividend was declared by the Company for the year ended 31 March 2017.

Liquidity, financial resources and funding

As at 31 March 2017, the Group had total assets of approximately HK$70.3 million (2016: approximately HK$50.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$34.7 million (2016: approximately HK$24.1 million) and approximately HK$35.6 million (2016: approximately HK$26.8 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2017 were approximately HK$16.6 million (2016: approximately HK$12.8 million), and current ratio as at 31 March 2017 was approximately 2.2 times (2016: 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 52.7% as at 31 March 2016 to approximately 48.8% as at 31 March 2017, 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 proceeds from Morgan Star Investment Limited, one of our Pre-IPO investors, of approximately HK$8.0 million, 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 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 2017, the Company's issued share capital was HK$100 (2016: US$8,876) divided into 10,000 ordinary Shares of par value of HK$0.01 each (2016: 8,876 of US$1 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$2.0 million as at 31 March 2017 (2016: approximately HK$0.4 million).

Segmental information

Segmental information is presented for the Group as disclosed on note 3 of the notes to the consolidated financial statements.

Future plans for material investments and capital assets

As at 31 March 2017, 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 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent liabilities

Save as disclosed in note 13 of the notes to the consolidated financial statements, as at 31 March 2016 and 2017, 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 14 of notes to the consolidated financial statements, as at 31 March 2016 and 2017, the Group did not have other pledge of assets.

Employees and remuneration policies

As at 31 March 2017, the Group employed a total of 24 employees (2016: 19 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$11.2 million for the year ended 31 March 2017 (2016: approximately HK$7.8 million).

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

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 2017.

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. As the Shares were listed on GEM of the Stock Exchange since the Listing Date, the CG Code was not applicable to the Company during the period under review. The Company has adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement (the "Relevant Period") 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 Relevant Period.

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 Relevant Period.

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 Relevant Period.

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 four members, namely Mr. Wu Kam On Keith, Mr. Chong Kam Fung, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack. 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 2017 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 2017 as set out in the 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 2017. 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 the date of this announcement, 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 financial year 2017 of the Company is scheduled to be held on 31 August 2017 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 Monday, 28 August 2017 to Thursday, 31 August 2017, 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 Friday, 25 August 2017.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 March 2017, the following significant events took place:

(i) On 12 May 2017, the share option scheme of the Company (the "Share Option Scheme"), of which the principal terms are set out in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus, was approved and adopted and the directors of the Company were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for shares and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme.

(ii) On 26 May 2017, total of 974,990,000 shares were allotted and issued, credited as fully paid at par, to the shareholders of the Company by way of capitalisation of a sum of HK$9,749,900 standing to the credit of the share premium account of the Company. Such shares rank pari passu in all respects with the then existing issued shares of the Company.

(iii) On 26 May 2017, 325,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.2 each by way of public offering. Such shares rank pari passu in all respects with the then existing issued shares of the Company. On the same date, the Company's shares were listed on the Growth Enterprise Market of the Stock Exchange.

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

Hong Kong, 21 June 2017

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 Directors are Mr. Tan Kean Ee and Mr. Chong Kam Fung; and the independent non-executive Directors are Mr. Wu Kam On Keith, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack.

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.