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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 2020**

#### **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 2020, together with the comparative audited figures for the year ended 31 March 2019, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

		2020	2019
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	87,111	135,469
Cost of services		<u>(79,912)</u>	<u>(109,363)</u>
Gross profit		7,199	26,106
Other income		363	271
Administrative expenses		(26,318)	(20,082)
Finance costs		<u>(2,991)</u>	<u>(2,568)</u>
(Loss) Profit before income tax	5	(21,747)	3,727
Income tax expenses	6	<u>(160)</u>	<u>(745)</u>
(Loss) Profit for the year and total comprehensive (expenses) income for the year		<u><u>(21,907)</u></u>	<u><u>2,982</u></u>
(Loss) Earnings per share, Basic and diluted ( <i>HK cents</i> )	7	<u><u>(1.69)</u></u>	<u><u>0.23</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>NOTE</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>452</b>	761
Right-of-use asset		<b>571</b>	–
Payment for a life insurance policy		<b>2,644</b>	2,647
		<b>3,667</b>	3,408
<b>CURRENT ASSETS</b>			
Contract assets	<i>9</i>	<b>95,701</b>	103,560
Trade and other debtors, deposits and prepayments	<i>10</i>	<b>21,148</b>	40,230
Pledged and restricted bank deposits		<b>13,538</b>	17,366
Bank balances and cash		<b>21,051</b>	23,446
		<b>151,438</b>	184,602
<b>CURRENT LIABILITIES</b>			
Contract liabilities	<i>9</i>	<b>3,173</b>	1,975
Trade and other creditors and accrued expenses	<i>11</i>	<b>32,333</b>	33,544
Bank borrowings – due within one year	<i>12</i>	<b>33,974</b>	47,173
Lease liabilities		<b>588</b>	–
Income tax payable		<b>94</b>	316
Bank overdrafts – secured		<b>6,517</b>	4,669
		<b>76,679</b>	87,677
<b>NET CURRENT ASSETS</b>			
		<b>74,759</b>	96,925
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>78,426</b>	100,333
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due over one year	<i>12</i>	<b>1,993</b>	1,993
		<b>76,433</b>	98,340
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>13,000</b>	13,000
Reserves		<b>63,433</b>	85,340
		<b>76,433</b>	98,340

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

Hao Bai International (Cayman) Limited (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 of Hong Kong Limited (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 Workshop Unit A, 7/F, Wah Shing Industrial Building, No.18 Cheung Shun Street, Kowloon, Hong Kong.

The principal activity of the Company is investment holding and the Company together with its subsidiaries (the “**Group**”) are principally engaged in provision of design, procurement and installation services of water circulation systems.

## 2. PRINCIPAL ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

### Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 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.

Annual Improvements to HKFRSs	2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Apart from the impact on adoption of HKFRS 16 as set out below, the adoption of those new and revised HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

### ***HKFRS 16: Leases***

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

#### *As lessee*

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

#### *As lessee – leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

- (c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.88%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows.

*HK\$'000*

Operating lease commitments at 31 March 2019	2,758
<i>Less:</i> Short-term leases with remaining lease term ending on or before 31 March 2020	<u>(169)</u>
Operating lease commitments at 31 March 2019 related to long-term leases	2,589
<i>Less:</i> Future finance charge	<u>(52)</u>
Lease liabilities at 1 April 2019 discounted using the incremental borrowing rate	<u><u>2,537</u></u>

At the DIA, right-of-use assets were presented within the line item "Right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As a result, adjustments were made at the DIA to reflect the changes in presentation:

	<b>31 March</b>	<b>Adjustments</b>	<b>1 April</b>
	<b>2019</b>	<b>HK\$'000</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	–	2,537	2,537
<b>Current liabilities</b>			
Lease liabilities	–	(1,949)	(1,949)
<b>Non-current liabilities</b>			
Lease liabilities	–	(588)	(588)
	<u>–</u>	<u>(588)</u>	<u>(588)</u>
	<u>–</u>	<u>–</u>	<u>–</u>

### Future changes in HKFRSs

At the date of authorisation of this announcement, 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.

Amendments to HKASs 1 and 8	Definition of Material <sup>1</sup>
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>3</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>5</sup> The effective date to be determined

The management of the Company does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

### 3. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from management contracting services	87,111	132,733
Revenue from consultancy services	–	2,700
Revenue from maintenance services	–	36
	<u>87,111</u>	<u>135,469</u>

All revenue generated by the Group during the years ended 31 March 2020 and 2019 was from contracts with customers within HKFRS15, 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, reviewed 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 (loss) represents the profit (loss) earned by each reportable and operating segment without allocation of other income, administrative 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, payment for a life insurance policy, other debtors, deposits and prepayments, right-of-use asset and property, plant and equipment.

The liabilities of the Group are allocated to reportable and operating segments except for bank borrowings, bank overdrafts, obligations under finance leases/lease liabilities and certain creditors and accrued expenses.



The segment information for the reportable and operating segments for the years ended 31 March 2020 and 2019 is as follows:

	<b>Management contracting services <i>HK\$'000</i></b>	<b>Consultancy services <i>HK\$'000</i></b>	<b>Maintenance services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 31 March 2020</b>				
Revenue from external customers and segment revenue	<u>87,111</u>	<u>–</u>	<u>–</u>	<u>87,111</u>
Segment loss	<u>(2,506)</u>	<u>–</u>	<u>–</u>	<u>(2,506)</u>
Other income				363
Administrative expenses				(16,613)
Finance costs				<u>(2,991)</u>
<b>Loss before income tax</b>				<u><b>(21,747)</b></u>
	<b>Management contracting services <i>HK\$'000</i></b>	<b>Consultancy services <i>HK\$'000</i></b>	<b>Maintenance services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 31 March 2019</b>				
Revenue from external customers and segment revenue	<u>132,733</u>	<u>2,700</u>	<u>36</u>	<u>135,469</u>
Segment profit	<u>24,764</u>	<u>1,331</u>	<u>11</u>	26,106
Other income				271
Administrative expenses				(20,082)
Finance costs				<u>(2,568)</u>
<b>Profit before income tax</b>				<u><b>3,727</b></u>

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

	<b>Management contracting services HK\$'000</b>	<b>Consultancy services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 March 2020</b>				
<b>Assets</b>				
Segment assets	<u>115,949</u>	<u>-</u>	<u>-</u>	115,949
Pledged and restricted bank deposits				13,538
Bank balances and cash				21,051
Payment for a life insurance policy				2,644
Other debtors, deposits and prepayments				900
Right-of-use asset				571
Property, plant and equipment				<u>452</u>
<b>Consolidated assets</b>				<u>155,105</u>
<b>Liabilities</b>				
Segment liabilities	<u>18,178</u>	<u>-</u>	<u>-</u>	18,178
Bank borrowings				35,967
Bank overdrafts				6,517
Lease liabilities				588
Other creditors and accrued expenses				<u>17,422</u>
<b>Consolidated liabilities</b>				<u>78,672</u>

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2019</b>				
<b>Assets</b>				
Segment assets	<u>136,036</u>	<u>–</u>	<u>–</u>	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				<u>761</u>
<b>Consolidated assets</b>				<u><u>188,010</u></u>
<b>Liabilities</b>				
Segment liabilities	<u>31,993</u>	<u>–</u>	<u>–</u>	31,993
Bank borrowings				49,166
Bank overdrafts				4,669
Other creditors and accrued expenses				<u>3,842</u>
<b>Consolidated liabilities</b>				<u><u>89,670</u></u>

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

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2020</b>				
<b>Other information</b>				
Depreciation				
– property, plant and equipment	246	–	–	246
– right-of-use asset	1,966	–	–	1,966
Written-off of contract assets	6,871	–	–	6,871
Written-off of property, plant and equipment	<u>36</u>	<u>–</u>	<u>–</u>	<u>36</u>

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Total <i>HK\$'000</i>
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**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
	<u>559</u>	<u>–</u>	<u>–</u>	<u>559</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	78,435	121,190
Macau	<u>8,676</u>	<u>14,279</u>
	<u>87,111</u>	<u>135,469</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	1,022	756
Macau	<u>1</u>	<u>5</u>
	<u>1,023</u>	<u>761</u>

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A and its affiliated companies	<u>69,014</u>	<u>117,162</u>

## 5. (LOSS) PROFIT BEFORE INCOME TAX

This is stated after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Staff costs and related expenses (including directors' remuneration):</b>		
Directors' emolument	4,062	3,993
Salaries, allowances and other benefits	11,738	12,835
Contributions to defined contribution plans	<u>371</u>	<u>490</u>
	16,171	17,318
<i>Less:</i> Amount included in cost of services	<u>(7,512)</u>	<u>(9,716)</u>
	<u>8,659</u>	<u>7,602</u>
<b>Other items</b>		
Auditors' remuneration	520	650
Amortisation of payment for a life insurance policy	11	11
Contract costs relating to management contracting services recognised as expenses*	79,912	107,969
Loss on disposal of property, plant and equipment	15	24
Depreciation of property, plant and equipment	246	664
Depreciation of right-of-use asset	1,966	–
Operating lease payments on premises	–	2,174
Lease payment recognised under short-term lease	537	–
Written-off of property, plant and equipment	36	17
Written-off of contract assets	<u>6,871</u>	<u>–</u>

\* *Contract costs included approximately HK\$21,610,000 (2019: approximately HK\$39,903,000) and approximately HK\$7,512,000 (2019: approximately HK\$8,347,000) relating to the consumables goods and staff cost respectively which the staff cost is also included in the amounts disclosed separately above.*

## 6. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Hong Kong Profits tax</b>		
Current year	–	448
Under provision in prior year	<b>126</b>	–
<b>Macau Complementary Tax</b>		
Current year	–	297
Under provision in prior year	<b>34</b>	–
	<b>160</b>	745
<b>Deferred tax</b>	–	–
Total income tax expenses for the year	<b><u>160</u></b>	<b><u>745</u></b>

The group entities established in the Cayman Islands, Samoa and the BVI are exempted from income tax.

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during the year ended 31 March 2020.

For the year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) was are subject to the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits will would be taxed at 8.25%, and assessable profits above HK\$2 million will would be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group is was calculated at 16.5% of their respective estimated assessable profits for the year ended 31 March 2019.

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% (2019:12%) on the taxable income above Macau Pataca (“MOP”) 600,000.

## Reconciliation of income tax expenses

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) Profit before income tax	<u>(21,747)</u>	<u>3,727</u>
Applicable income tax rates of 16.5% (2019: 16.5%)	(3,517)	615
Non-deductible expenses	162	435
Tax exempt revenue	(73)	(160)
Unrecognised tax losses	3,515	46
Difference in tax rates of a subsidiary operating in another jurisdiction	(25)	(111)
Under provision in previous year	160	85
Tax concession	(100)	(165)
Others	<u>38</u>	<u>–</u>
Income tax expenses	<u>160</u>	<u>745</u>

## 7. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) Profit for the year attributable to the owners of the Company, used in basic and diluted (loss) earnings per share calculation	<u>(21,907)</u>	<u>2,982</u>
	<u>Number of shares</u>	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	<u>1,300,000,000</u>	<u>1,300,000,000</u>

Diluted (loss) earnings per share are same as the basic (loss) earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 March 2020 and 2019.

## 8. DIVIDENDS

The directors of the Company did not declare or propose any dividend for the year ended 31 March 2020 (2019: Nil).

## 9. CONTRACT ASSETS (LIABILITIES)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred	478,856	405,224
Recognised profits less recognised losses	169,448	152,164
Less: Progress billings	<u>(568,532)</u>	<u>(476,246)</u>
	79,772	81,142
Retention receivables	<u>19,627</u>	<u>20,443</u>
	99,399	101,585
Less: Written-off of contract assets ( <i>Note</i> )	<u>(6,871)</u>	<u>–</u>
	<u><b>92,528</b></u>	<u><b>101,585</b></u>
Represented by:		
Contract assets	95,701	103,560
Contract liabilities	<u>(3,173)</u>	<u>(1,975)</u>
	<u><b>92,528</b></u>	<u><b>101,585</b></u>

### *Note:*

The amount of approximately HK\$6,871,000 represented the contract assets being written off mainly as a result of the arbitration awards involving projects located at Kennedy Town and Sham Shui Po. Such amount is a net sum written off in the financial statements after setting off the compensation of approximately HK\$1,387,000 granted in favour of the Group under the said arbitration awards.

At the end of the reporting period, the contract assets that are expected to be recovered after more than 12 months are approximately HK\$13,611,000 (2019: approximately HK\$13,156,000), which represented the retention receivables. The remaining contract assets and liabilities are expected to be recovered within 12 months.



The movements of contract assets and liabilities (excluding those arising from increases and decreases both occurred within the same year) from contracts with customers within HKFRS 15 during the year are as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Contracts assets</b>		
At 1 April	<b>103,560</b>	89,623
Transferred to trade debtors	<b>(54,278)</b>	(70,479)
Recognition of revenue	<b>53,290</b>	84,416
Written off	<b>(6,871)</b>	–
	<u>                    </u>	<u>                    </u>
At 31 March	<b><u>95,701</u></b>	<u>103,560</u>

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Contracts liabilities</b>		
At 1 April	<b>(1,975)</b>	–
Receipt of advances or recognition of receivables	<b>(3,173)</b>	(5,780)
Recognition of revenue	<b>1,975</b>	3,805
	<u>                    </u>	<u>                    </u>
At 31 March	<b><u>(3,173)</u></b>	<u>(1,975)</u>

The expected timing of the revenue recognition of the performance obligations that are unsatisfied (or partially unsatisfied) at 31 March 2020 and 2019 is within 1 year. As permitted under HKFRS 15, the transaction price allocated to those contracts is not disclosed.

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. The retention receivables (net of written-off of contract assets) to be settled, based on the expiry of the defect liability period, at the end of the reporting period are:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
On demand or within one year	<b>5,699</b>	7,287
After one year	<b>13,611</b>	13,156
	<b>19,310</b>	20,443

#### 10. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

		<b>2020</b>	2019
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade debtors	<i>10(a)</i>	<b>15,662</b>	32,476
Advances to staff	<i>10(b)</i>	–	2,250
Pledged deposits to an insurance company	<i>10(c)</i>	<b>371</b>	647
Other debtors, deposits and prepayments		<b>5,115</b>	4,857
		<b>21,148</b>	40,230

**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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>6,324</b>	21,161
31 to 60 days	<b>2,741</b>	7,303
Over 60 days	<b>6,597</b>	4,012
	<b>15,662</b>	32,476

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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>2,741</b>	7,303
More than 30 days	<b>6,597</b>	4,012
	<b>9,338</b>	11,315

**10(b)** Advances to staff were unsecured, interest-free and repayable on demand, which mainly consist of advances to the following executive directors of approximately HK\$1,250,000 at 31 March 2019. During the year ended 31 March 2020, the amounts were fully settled.

Details of advances to the executive directors are as follows:

Name of directors	Outstanding amount				
	Greatest during the year ended				
	31 March	31 March	At	At	At
	<b>2020</b>	2019	<b>31 March</b>	31 March	1 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Ng Wan Lok	<b>750</b>	750	–	750	750
Ms. Wong Wing Hung	<b>500</b>	500	–	500	500
			<b>–</b>	<b>1,250</b>	<b>1,250</b>

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(c)** Pledged deposits of approximately HK\$371,000 (2019: approximately HK\$647,000) 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% (2019: 0.2%) per annum.

## 11. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	<i>11(a)</i>	14,911	29,702
Other creditors and accrued expenses		3,722	3,842
Amount due to a director	<i>11(b)</i>	<u>13,700</u>	<u>–</u>
		<u><b>32,333</b></u>	<u><b>33,544</b></u>

11(a) 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	274	8,710
31 to 60 days	856	7,551
61 to 90 days	265	1,780
Over 90 days	<u>13,516</u>	<u>11,661</u>
	<u><b>14,911</b></u>	<u><b>29,702</b></u>

11(b) The amount due is unsecured, interest-free and repayable on demand.

## 12. BANK BORROWINGS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured	<u><b>35,967</b></u>	<u><b>49,166</b></u>

The bank borrowings are repayable as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
On demand or within one year	<b>33,974</b>	47,173
More than five years	<b>1,993</b>	1,993
	<b>35,967</b>	49,166
<i>Less:</i> Amount due within one year shown under current liabilities	<b>(33,974)</b>	(47,173)
Amount due after one year shown under non-current liabilities	<b>1,993</b>	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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>27,654</b>	35,760
Within a period of more than one year but not exceeding two years	<b>5,390</b>	5,087
Within a period of more than two years but not exceeding five years	<b>930</b>	6,326
Over five years	<b>1,993</b>	1,993
	<b>35,967</b>	49,166

Except for bank borrowings of approximately HK\$1,993,000 (2019: approximately HK\$1,993,000) which are denominated in US\$, all the remaining bank borrowings are denominated in HK\$. The bank borrowings carry floating interest rates ranging from 3.85% to 5.88% (2019: 3.35% to 5.88%) per annum based on prime rate or London Interbank Offered Rate (“**LIBOR**”).

At 31 March 2020, bank borrowing amounting to approximately HK\$33,974,000 (2019: approximately HK\$39,506,000) is secured by pledged bank deposit of approximately HK\$13,311,000 (2019: approximately HK\$13,139,000) and guaranteed by the Company for HK\$55,000,000 (2019: HK\$55,000,000).

At 31 March 2019, bank borrowing amounting to approximately HK\$7,667,000, which was secured by pledged bank deposit of approximately HK\$4,000,000 and guaranteed by the Company for HK\$4,000,000, was fully settled during the year ended 31 March 2020.

At 31 March 2020, bank borrowing amounting to approximately HK\$1,993,000 (2019: approximately HK\$1,993,000) is secured by payment for a life insurance policy.

### 13. SHARE CAPITAL

	Number of shares	HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and <b>31 March 2020</b>	<u><u>2,000,000,000</u></u>	<u><u>20,000,000</u></u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and <b>31 March 2020</b>	<u><u>1,300,000,000</u></u>	<u><u>13,000,000</u></u>

### 14. PERFORMANCE BONDS

	2020 HK\$'000	2019 HK\$'000
Indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services	<u><u>1,401</u></u>	<u><u>2,148</u></u>

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 2020 and 2019, no customers called any performance bonds. Typically, the estimated consideration is not constrained for revenue recognition.

### 15. PLEDGE OF ASSETS

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

	2020 HK\$'000	2019 HK\$'000
Pledged and restricted bank deposits	13,538	17,366
Pledged deposits to an insurance company	371	647
Payment for a life insurance policy	<u>2,644</u>	<u>2,647</u>
	<u><u>16,553</u></u>	<u><u>20,660</u></u>

# 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 categorised 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 2020, the Group had 28 management contracting projects and nil consulting projects (2019: 24 management contracting projects and 4 consulting projects) with revenue contribution.

During the Reporting Period, the Group recorded a net loss of approximately HK\$21.9 million for the year ended 31 March 2020 (the “**Reporting Period**”) as compared to a net profit of approximately HK\$3.0 million for the year ended 31 March 2019. Such loss was mainly attributable to substantial drop of revenue recorded by the Group in respect of the Reporting Period during which Hong Kong has been undergoing a historic economic downturn spawned by months of the large-scale protests, violent demonstrations and outbreak of coronavirus pandemic. Affected by the extremely weak business sentiment in both Hong Kong and Macau, new construction or property development projects in the market decrease drastically leading to very keen competition that the Group has ever encountered in tendering for new projects for its water circulation systems.

Looking forward, against the outbreak of coronavirus pandemic and the continuous social movement in Hong Kong which has dampened the local economy, the Directors anticipate that the economy continues to remain uncertain. The high labour cost and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions between Hong Kong, Macau and the mainland China are amongst the challenges which industry peers have faced. It is expected the Group will continue to face such intense competition to secure projects amid the downturn of economy while we use our best efforts to manage the progress and costs of projects to enhance our competitiveness in sourcing projects. Although the Directors remain confident in the long term business outlook of Hong Kong and Macau and also the performance of the Group, the financial results of the Group in particular in the first half of the Financial Year 2020/2021 may potentially be affected as a result of the adversities.

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 diversify or expand our businesses in Hong Kong, Macau and mainland China to maintain the continuous growth of the Group. The Directors will also keep close track of the economic environment and evaluate its business strategies from time to time to adapt to the challenging market for the sustainable development of the Group and grasp any potential business opportunities to enhance the long-term potential growth in the future and generate the best returns to the shareholders.

## **Financial Review**

### ***Revenue***

Our total revenue decreased by approximately HK\$48.4 million or 35.7% from approximately HK\$135.5 million for the year ended 31 March 2019 to approximately HK\$87.1 million for the year ended 31 March 2020.

The decrease in our revenue was attributable to the combined effect of:

- (i) the decrease in the revenue derived from management contracting services by approximately HK\$45.6 million or 34.4%, from approximately HK\$132.7 million for the year ended 31 March 2019 to approximately HK\$87.1 million for the year ended 31 March 2020.
- (ii) the decrease in the revenue derived from consultancy services by approximately HK\$2.7 million due to the absence of revenue from such segment for the year ended 31 March 2020.

The substantial drop in our revenue was recorded by the Group in respect of the Reporting Period during which Hong Kong has been undergoing a historic economic downturn spawned by months of the large-scale protests, violent demonstrations and outbreak of coronavirus pandemic. Amid the escalating social unrest in Hong Kong since the second half of the Financial Year 2019/2020, the financial performance of the Group has been further impacted in the fourth quarter during the Reporting Period when outbreak of coronavirus pandemic further devastates Hong Kong's Economy. Affected by the extremely weak business sentiment, new construction or property development projects in our operating markets decrease drastically leading to very keen competition that the Group has ever encountered in tendering for new projects for its water circulation systems. For those ongoing projects undertaken by the Group, the progress has been sluggish, or even suspended during coronavirus pandemic.



### ***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 decreased by approximately HK\$29.5 million or 26.9% from approximately HK\$109.4 million for the year ended 31 March 2019 to approximately HK\$79.9 million for the year ended 31 March 2020. Such decrease was primarily driven by the decrease in cost of consumables of approximately HK\$18.3 million and the decrease in sub-contracting fees of approximately HK\$10.1 million, which were mainly due to the decrease in revenue as discussed above and as a result, less amount of parts and components were procured for the projects and less labour were required to execute the project work.

### ***Gross profit and gross profit margin***

Our gross profit decreased by approximately HK\$18.9 million or 72.4% from approximately HK\$26.1 million for the year ended 31 March 2019 to approximately HK\$7.2 million for the year ended 31 March 2020. Such decrease was primarily attributable to the decrease in revenue as discussed above and the decrease in gross profit margin.

Our gross profit margin decreased from approximately 19.3% for the year ended 31 March 2019 to approximately 8.3% for the year ended 31 March 2020. The decrease was mainly due to i) most of the works performed under variation orders during the Reporting Period carried gross profit margins which are substantially lower than that in corresponding period; ii) the decrease in revenue derived from projects in Macau which generally enjoy a relatively higher gross profit margin as compared to projects in Hong Kong; iii) the decrease in revenue for the Reporting Period as certain mega-size projects have been approaching their completion date with lesser amount of work done and substantial amount of revenue for the said mega-size projects had already been recognised in prior periods; and iv) the decrease in revenue for the Reporting Period as discussed above.

### ***Other income***

Our other income increased from approximately HK\$271,000 for the year ended 31 March 2019 to approximately HK\$363,000 for the year ended 31 March 2020, primarily due to the increase in interest income on the time deposit.

### ***Administrative expenses***

Our administrative expenses increased by approximately HK\$6.2 million or 31.1% from approximately HK\$20.1 million for the year ended 31 March 2019 to approximately HK\$26.3 million for the year ended 31 March 2020, primarily due to the written-off of contract assets of approximately HK\$6.9 million which was mainly due to the assessment on the accounting treatment regarding the arbitration awards involving projects located at Kennedy Town and Sham Shui Po. Such increase was partially off-set by the decrease in depreciation of property, plant and equipment and entertainment expenses.

### ***Finance costs***

Our finance costs increased by approximately HK\$0.4 million or 16.5% from approximately HK\$2.6 million for the year ended 31 March 2019 to approximately HK\$3.0 million for the year ended 31 March 2020, primarily due to the increase in the average level of bank borrowings during the Reporting Period for the settlement of the trade creditors and for general working capital purpose.

### ***Income tax expenses***

For the year ended 31 March 2020, the income tax expenses represented the underprovision of Hong Kong Profits Tax and Macau Complementary Tax in prior years. There were no assessable profits in Hong Kong and Macau for the Reporting Period and as a result, no income tax expense for current year was provided.

### ***Net (Loss) Profit***

As a result of the foregoing, the Company recorded a net loss of approximately HK\$21.9 million for the year ended 31 March 2020 as compared to a net profit of approximately HK\$3.0 million for the year ended 31 March 2019.

### ***Dividends***

No dividend was declared or proposed by the Board for both years ended 31 March 2020 and 2019.

## **Liquidity, financial resources and funding**

As at 31 March 2020, the Group had total assets of approximately HK\$155.1 million (2019: approximately HK\$188.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$78.7 million (2019: approximately HK\$89.7 million) and approximately HK\$76.4 million (2019: approximately HK\$98.3 million), respectively.

The total interest-bearing loans and borrowings (interest-bearing bank borrowings and bank overdrafts) of the Group as at 31 March 2020 were approximately HK\$42.5 million (2019: approximately HK\$53.8 million), and current ratio as at 31 March 2020 was approximately 2.0 times (2019: approximately 2.1 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 and bank overdrafts divided by total equity, increased from approximately 54.7% as at 31 March 2019 to approximately 55.6% as at 31 March 2020, primarily due to the decrease in the total equity which was due to the net loss for the year ended 31 March 2020.

## **Capital structure**

The Shares were successfully listed on the GEM of the Stock Exchange on 26 May 2017 (the "**Listing**"). Immediately upon the 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 2020 and 2019, 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.

## **Capital Commitments**

As at 31 March 2020 and 2019, the Group did not have any capital commitments contracted but not provided for.

## **Segmental information**

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

## **Future plans for material investments and capital assets**

As at 31 March 2020, 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 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **Contingent liabilities**

Save as disclosed in note 14 of the notes to the consolidated financial statements of this announcement, as at 31 March 2020 and 2019, the Group did not have other material contingent liabilities.

## **Foreign currency exposure**

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

## **Pledge of assets**

Save as disclosed in note 15 of notes to the consolidated financial statements of this announcement, as at 31 March 2020 and 2019, the Group did not have other pledge of assets.

## **Employees and remuneration policies**

As at 31 March 2020, the Group employed a total of 37 employees (2019: 37 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$16.2 million for the year ended 31 March 2020 (2019: approximately HK\$17.3 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**

In view of the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) in early 2020 and rapidly spread all over the world in the first half of year 2020, most of the countries have taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of the COVID-19.

At the date of this announcement, the Group was unable to reliably estimate the financial impact of the outbreak of the COVID-19.

## **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 2020.

## **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 2020, 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 2020.

## **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 2020.

## 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 date of Listing to 31 March 2020 is set out below:

<b>Business strategies as stated in the Prospectus</b>	<b>Business objectives up to 31 March 2020 as stated in the Prospectus</b>	<b>Actual business progress up to 31 March 2020</b>
Strengthening of our industry position and expansion of our business	Undertake more projects and satisfy potential requirements of performance bond	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 31 March 2020, 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.	As at 31 March 2020, 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.
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 has rented a temporary warehouse in Macau and as at 31 March 2020, the Group has paid rental expense of approximately HK\$0.2 million.
		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 HK\$24,000.
		The Group is in the process of selecting tools and equipment.

## USE OF PROCEEDS

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

As at 31 March 2020, the net proceeds had been utilised as follows:

	<b>Actual net proceeds</b> <i>HK\$ million</i> <i>(approximately)</i>	<b>Amount utilised as at 31 March 2020</b> <i>HK\$ million</i> <i>(approximately)</i>	<b>Balance</b> <i>HK\$ million</i> <i>(approximately)</i>
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	0.2	2.3
Purchase of tools and equipment	1.6	–	1.6
General working capital	3.3	3.3	–
	<u>38.0</u>	<u>15.5</u>	<u>22.5</u>

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 and expected timeline up to 31 March 2020 as stated in the Company’s announcement dated 19 August 2019. The Company will continue to observe the challenges that the Group may face under the developing market condition. It will endeavor to solidify the business by undertaking suitable projects amid the uncertain economy. The Directors will from time to time assess the business objectives and monitor use of the net proceeds for the Group to cope with the changing market conditions and for the long-term benefit as well as the development of the Group. If there is any material progress on the utilisation under the time frame set out in the aforesaid announcement, or in case any adjustment on the use of the net proceeds is needed, the Company will make further announcement as and when appropriate.



## 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 non-recurring 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 2020.

## **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. Lau Wai Hung, Mr. Chen Lei and Mr. Tsang Yung Fat. Mr. Tsang Yung Fat 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 2020 and this annual results 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 2020 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 2020. 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 2020, 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; (iii) the supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 23 May 2017; and (iv) the second supplemental agreement to the compliance adviser agreement entered into between the Company and CLC dated 26 July 2019, 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 2020 of the Company is scheduled to be held on Friday, 28 August 2020 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, 25 August 2020 to Friday, 28 August 2020, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 24 August 2020.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.harmonyasia.com](http://www.harmonyasia.com). The annual report of the Company for the Financial Year 2019/2020 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, 22 June 2020

*As at the date of this announcement, the executive Directors are Mr. Nam Ho Kwan, Mr. Ng Wan Lok, Ms. Wong Wing Hung and Ms. Wang Rui; and the independent non-executive Directors are Mr. Lau Wai Hung, Mr. Chen Lei and Mr. Tsang Yung Fat.*

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://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](http://www.harmonyasia.com).*