



# 2016

ANNUAL REPORT



柏榮集團(控股)有限公司  
**PAK WING GROUP (HOLDINGS) LIMITED**  
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316

## **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.**

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This report, for which the directors (the “Directors”) of Pak Wing Group (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Chin To (*Chairman*)  
Mr. Tse Chun Kit (*Chief executive officer*)  
Ms. Chan Siu Ying

### Independent Non-executive Directors

Mr. Wong Chi Shing  
Mr. Kuo Tung Ming  
Ms. Si Tou Man Wai

## AUDIT COMMITTEE

Mr. Wong Chi Shing (*Chairman*)  
Mr. Kuo Tung Ming  
Ms. Si Tou Man Wai

## REMUNERATION COMMITTEE

Mr. Kuo Tung Ming (*Chairman*)  
Mr. Wong Chin To  
Mr. Wong Chi Shing  
Ms. Si Tou Man Wai

## NOMINATION COMMITTEE

Mr. Wong Chin To (*Chairman*)  
Mr. Wong Chi Shing  
Mr. Kuo Tung Ming  
Ms. Si Tou Man Wai

## AUTHORISED REPRESENTATIVES

Mr. Wong Chin To  
Ms. Li On Lok (appointed on 1 April 2016)  
Mr. Chan Man Key (resigned on 1 April 2016)

## AUDITORS

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## LEGAL ADVISORS

As to Hong Kong laws:

CFN Lawyers  
in association with Broad & Bright  
Room 4124, 41/F, Sun Hung Kai Centre  
30 Harbour Road, Wan Chai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY SECRETARY

Ms. Li On Lok (appointed on 1 April 2016)  
Mr. Chan Man Key (resigned on 1 April 2016)

## COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited  
Level 19  
28 Hennessy Road  
Hong Kong

## COMPLIANCE OFFICER

Mr. Tse Chun Kit

## CORPORATE INFORMATION (continued)

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 2815-16, 28/F  
New Tech Plaza  
34 Tai Yau Street  
San Po Kong  
Kowloon  
Hong Kong

### PRINCIPAL BANKS

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

Wing Lung Bank Limited  
45 Des Voeux Road Central  
Hong Kong

### GEM STOCK CODE

8316

### COMPANY WEBSITE

[www.pakwingc.com](http://www.pakwingc.com)



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director") of Pak Wing Group (Holdings) Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 (the "Year").

## REVIEW

The Group achieved a key milestone in its history that the shares of the Company were successfully listed on GEM on 10 August 2015 (the "Listing"), and raised net proceeds of approximately HK\$24.3 million. The Listing greatly promoted the Group's reputation in Hong Kong as well as provided the Group with a readily accessible capital platform for the Group's future business development.

For the Year, the Group recorded a decrease in turnover of approximately HK\$ 23.5 million or 18.0% to HK\$107.3 million compared with the year ended 31 March 2015. The declined revenue was a result of the difficult business environment in which the Group has operated and some unforeseeable factors such as delayed completion of certain foundation projects during the Year and the filibustering at the Public Works Sub-committee of the Finance Committee of the Legislative Council ("LegCo") resulting in a severe delay to the funding approval process of public works.

## PROSPECT

We look forward to the funding approval of the remaining foundation projects passed by the LegCo before its adjournment at the end of July. Notwithstanding such unforeseeably difficult business environment in which the Group operated, the Group will continue to pursue the following key business strategies: (i) further strengthening the manpower; (ii) acquisition of additional equipment and machinery to strengthen the ability of project implementation; and (iii) strengthening its market position by continuing to provide quality work to its customers.

## APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my gratitude to our shareholders, customer, business partners and supplier for their continue support, and to our management and staff members for their commitment and contribution throughout the years.

**Pak Wing Group (Holdings) Limited**

**Wong Chin To**

*Chairman and Executive Director*

Hong Kong, 21 June 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong. The projects involved LS work (as defined in the prospectus dated 28 July 2015 (the “Prospectus”)), mini piling, H-piling and other works. The target customers principally comprise main contractors and subcontractors. The Group does not engage as a main contractor, as the Group strive to avoid being seen as a threat to those main contractors who are also the Group’s customers. The Group are normally required to follow the pre-determined works schedule of rates, breakdowns by specifications of types of works to be done as well as the volume and quantities of construction materials and labour to be used.

During the Year, the Group achieved a key milestone in its history that the shares of Company were successfully listed on GEM on 10 August 2015. The Listing has not only enhanced the Group’s profile in the industry, but also provided the Group with a strengthened cash flow base with the listing proceeds raised. The Group has implemented part of and is committed to implement its future plans i.e. acquiring machinery and strengthening its manpower as disclosed in the Prospectus.

In recent months, the funding approval process within the Government of Hong Kong has been severely delayed due to the filibustering at the Public Works Sub-committee of the Finance Committee of the LegCo of Hong Kong. According to Government information, up to March 2016, among the 72 public construction projects totaling HK\$67.5 billion submitted to the LegCo this year, only two projects, worth some HK\$300 million, have been approved so far, which has resulted in fewer works in the pipeline for the construction industry as a whole and also increased the competition from other contractors seeking to tender projects at low price. The deterioration in economic environment and increasing labour costs have also posed plenty of challenges to the Group.

Notwithstanding such unforeseeably difficult business environment in which the Group operated, with the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further strengthening the manpower; (ii) acquisition of additional equipment and machinery to strengthen the ability of project implementation; and (iii) strengthening its market position by continuing to provide quality work to its customers.

## FINANCIAL REVIEW

The Group’s revenue for the Year was approximately HK\$107.3 million, representing a decrease of approximately HK\$23.5 million or 18.0% as compared to the revenue for the year ended 31 March 2015. The declined revenue was as a result of the difficult business environment in which the Group has operated as elaborated above and some unforeseeable factors such as delayed completion of certain foundation projects during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## GROSS PROFIT AND GROSS PROFIT MARGIN

For the Year, the Group recorded a gross profit of approximately HK\$1.0 million (2015: HK\$34.9 million) and the gross profit margin was approximately 0.9% (2015: 26.7%). The declined gross profit margin was as a result of, a decrease in revenue, an increase in machineries rental expenses incurred in order to meet additional requirements of certain foundation projects, and also an increase in depreciation and related machinery costs from acquiring additional machineries during the Year.

## ADMINISTRATIVE EXPENSES

The administrative expenses increased by approximately HK\$6.6 million or 34.9%, from HK\$18.7 million for the year ended 31 March 2015 to HK\$25.3 million for the Year. The increase was mainly due to the impairment loss on retention receivables and listing-related expenses (including the increase in directors' emoluments, company secretary fee, compliance advisory fee and other professional fee incurred after the Listing).

## FINANCE COSTS

Finance costs increased by approximately HK0.3 million or 52% from approximately HK\$0.5 million for the year ended 31 March 2015 to approximately HK\$0.8 million for the Year. The increase was mainly due to an increase in finance leases.

## (LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss and total comprehensive income for the Year was approximately HK\$22,231,000 (2015: profit HK\$11,874,000). Such decrease mainly due to the decrease in revenue, gross profit and increase in administration expenses.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 10 August 2015. There has been no change in the capital structure of the Group since the date of Listing and up to the date of this report.

	2016 HK\$'000	2015 HK\$'000
Current assets	49,876	49,113
Current liabilities	26,451	24,366
Current ratio	1.89	2.02

The current ratio of the Group as at 31 March 2016 was approximately 1.89 times as compared to that of approximately 2.02 as at 31 March 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As at 31 March 2016, the Group had total cash and cash equivalents of approximately HK\$19,961,000 (2015: approximately HK\$6,425,000). It was mainly resulted from the funds raised from the Listing in August 2015.

As at 31 March 2016 and 31 March 2015, the Group had bank borrowing and finance leases in total of approximately HK\$16,640,000 and HK\$12,444,000 respectively. The scheduled repayment date of the Group's bank borrowings and finance leases were as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	8,370	8,151
Between 1 and 2 years	4,157	2,839
Between 2 and 5 years	4,113	1,454
	<b>16,640</b>	12,444

### GEARING RATIO

The gearing ratio of the Group, calculated as net debt divided by total capital plus net debt. Net debt is calculated as the total of borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	2016 HK\$'000	2015 HK\$'000
Total debt	16,640	12,444
Less: Cash and cash equivalents	(19,961)	(6,425)
Net debt	(3,321)	6,019
Equity attributable to the owners of the Company	52,120	43,553
Gearing ratio	N/A	13.82%

N/A as the gearing ratio is negative.

### DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2015: nil).

### CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any significant contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## PLEDGE OF ASSETS

As at 31 March 2016, the Group had no assets pledged for bank borrowings or for other purpose.

## CAPITAL COMMITMENTS

The Group's capital commitments outstanding as at 31 March 2016, not provided for in the financial statement are as follows:

	2016 HK\$'000	2015 HK'000
Contracted but not provided for:		
Property, plant and equipment	1,000	732

As at 31 March 2016, save as above, the Group did not have other significant commitments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Year, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Year, there was no significant investment held by the Group.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

## FOREIGN CURRENCY EXPOSURE

As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, the Group's exposure to exchange rate risk is limited.

## TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and retention receivables and deposits with banks. The credit risk of the Group's trade and retention receivables is concentrated since approximately 86.9% of which was derived from five major customers as at 31 March 2016 (2015: approximately 77.4%). As the customers of the Group are reputable corporations, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from nonperformance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group employed a total of 70 staff. The total employee remuneration, including remuneration of the Directors, for the Year amounted to approximately HK\$34.7 million.

The Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws in Hong Kong. The Group provides its staff with various benefits including discretionary bonus, contributory provident fund and medical insurance. The Group also provides and sponsors various types of training to employees and offer options that may be granted to employees under the share option scheme.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 March 2016 is set out below:

<b>Business strategies as stated in the Prospectus</b>	<b>Business objectives up to 31 March 2016 as stated in Prospectus</b>	<b>Actual business progress up to 31 March 2016</b>
Acquiring machinery	Purchasing one boring rig, four air compressors and one crawler crane	The Group has acquired two air compressors, three boring rigs and two hydraulic excavators, which was financed by the proceeds from the Listing of approximately HK\$7.7 million and by Group's internal resources of approximately HK\$0.5 million, other additional machineries were through finance leases by approximately HK\$10.2 million.
Strengthening our manpower	Recruiting operations staff and workers and providing trainings to our staff members	The Group has recruited one site agent, one project manager, two foremen and four machine operators and provided trainings to the Group's staff members by the proceeds from the Listing of approximately HK\$1.1 million. The Group is still in the progress of recruiting more experienced operations staff and workers.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## USE OF PROCEEDS FROM PLACING

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 10 August 2015 through a placement of 120,000,000 shares of HK\$0.01 each in the share capital of the Group at the price of HK\$0.35 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK\$24.3 million.

	<b>Planned use of net proceeds as stated in the Prospectus up to 31 March 2016 HK\$'000</b>	<b>Actual use of net proceeds up to 31 March 2016 HK\$'000</b>
Acquiring machinery	<b>12,300</b>	<b>7,706</b>
Strengthening our manpower	<b>2,200</b>	<b>1,082</b>
General working capital	<b>1,500</b>	<b>1,500</b>
	<b>16,000</b>	<b>10,288</b>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:

- (i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin.
- (ii) The Group determined the project price based on estimated time and costs involved in a project, which may deviate from actual time and cost incurred. Inaccurate estimation may adversely affect our financial results.
- (iii) The Group's business operations depend on the expertise and continuing performance of the key management personnel and there is no assurance that the Group can hire and retain them.
- (iv) Failure to invest in suitable machinery may adversely affect the Group's market competitiveness.
- (v) The Group plan to expand capacity by acquiring machinery, which may result in an increase in depreciation expenses, machine operator costs, repair and maintenance costs and cash flow used in investing activities and may adversely affect the Group's operating results and financial position.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

- (vi) As the Group from time to time engage subcontractors in the work, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractor.
- (vii) The Group is exposed to possible environmental liability.

For other risks and uncertainties facing by the Group, please refer to the section headed "Risks Factors" in the Prospectus.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, waste disposal and waste water disposal.

Area	Measures
Air pollution control	<ul style="list-style-type: none"><li>(i) Dust suppression by use of water</li><li>(ii) Installation of dust screens as required</li><li>(iii) Use of low-dust techniques and equipment as required</li></ul>
Noise control	<ul style="list-style-type: none"><li>(i) Installment of acoustic barriers as required</li><li>(ii) Inspection and maintenance of all equipment before use for compliance of permitted noise level</li><li>(iii) Works to be undertaken in accordance with the permitted work hours as specified by our customers</li></ul>
Waste disposal	<ul style="list-style-type: none"><li>(i) Waste to be segregated into general wastes and construction wastes before transporting to landfills</li></ul>
Waste water disposal	<ul style="list-style-type: none"><li>(i) Use of sedimentation tanks to reduce the suspended solids in the waste water to be discharged</li><li>(ii) After the sedimentation process to the waste water, pumping into the filtration plant before discharging into approved discharge points</li></ul>

Our Directors consider that our measures and work procedures adopted are appropriate and adequate. During the Year, the Group does not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations.

### COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

## RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

### Customers

The Group's customers are principally main contractors and subcontractors of construction projects in the private and public sectors. Set out below is an analysis of the Group's revenues generated from projects in private and public sectors during the years:

	Year ended 31 March			
	2016	% of total	2015	% of total
	Revenue	revenue	Revenue	revenue
	HK\$'000	%	HK\$'000	%
Private sector	<b>76,320</b>	<b>71.1%</b>	110,695	84.6%
Public sector	<b>30,986</b>	<b>28.9%</b>	20,096	15.4%
	<b>107,306</b>	<b>100%</b>	130,791	100%

During the Year, the Group generated revenue from a total of 19 customers, among which, our five largest customers accounted for approximately 85.2% of total our revenue (2015: 73.7%), and our largest customer accounted for approximately 40.0% (2015:19.1%) of our total revenue. The Group generated approximately 24.0% of our revenue from 6 first-time customers for the Year, and for the year ended 31 March 2015, the Group generated approximately 45.9% of our revenue from 15 first-time customers. The Group has had good business relationship with most of the top customers which the Directors believe implying that the Group is the one of the selected subcontractors on such customers' approved lists of subcontractors and the Group being invited to tender or quote from time to time.

### Suppliers

The Group's suppliers primarily supply us with construction materials (such as cement, machinery spare parts and loose tools, diesel fuel and/or steel pile and casing) and/or services which primarily include machinery rental and machinery repair and maintenance. The Group generally order relevant construction materials and services on a project-by-project basis, and do not enter into any long-term supply agreements with our supplier. Our largest and five largest suppliers accounted for not exceeding 30% to of our total costs of services for the year ended 31 March 2016 and 2015.

### Subcontractors

During the Year, the Group subcontracted a portion of the works which primarily consisted of drilling, grouting and geotechnical works to other parties with an aim to utilise the Group's own manpower and machinery in a more cost efficient manner. The Group's subcontracting fees represented approximately 14.9% and 18.3% of our total costs of services for the year ended 31 March 2016 and 2015. Our largest and five largest subcontractors accounted for not exceeding 30% to of our total costs of services for the year ended 31 March 2016 and 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group selected subcontractors on a project-by-project basis, based on the Group's assessment of their (i) service quality; (ii) timeliness on delivery; (iii) price; and (iv) whether they have a quality assurance system that meets the Group's works requirements. The Group regularly review and update the internal approved list of subcontractors according to the Group's evaluation.

### **Employees**

The Group recognises employees as valuable assets of the Group and during the Year, the Group endeavor to attract and retain appropriate and suitable personnel to serve the Group. The Group assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Directors consider that the Group have maintained good relationship with its employees. The Group does not experience any labour disputes nor does the Group experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have hand a material impact on the Group business, financial condition or results of operations. The Group has not set up any trade union for its employees.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. WONG Chin To** (黃展韜), aged 37, is the Chairman, an executive Director and a controlling shareholder of our Group. Since July 2014, Mr. Wong had been a director of the Company and on 10 March 2015, he was redesignated as an executive Director and appointed the chairman of the Board. As a dedicated leader since the commencement of our Group's operations and a key member of our executive management, Mr. Wong is responsible for our Group's overall strategic business development and planning. Mr. Wong has over 18 years of experience in the foundation industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, supplier and subcontractors alike. Under Mr. Wong's strategic leadership, the Group has seen steady expansion in our business operations and client base, and has established a sound reputation within the local foundation industry.

Prior to founding the Group, Mr. Wong was employed by Wan Kei Geotechnical Engineering Company Limited from October 1997 to August 2011, responsible for overseeing and managing a broad range of piling projects and other foundation works and his last position was site agent. Mr. Wong is a holder of the Certificate in Construction Supervision (Civil Engineering) awarded by the Construction Industry Training Authority in October 2007.

**Mr. TSE Chun Kit** (謝俊傑), aged 38, the chief executive officer, an executive Director and a controlling shareholder of our Group. He was appointed as an executive Director and the chief executive officer of the Company on 10 March 2015. Mr. Tse is responsible for overseeing the Group's business development and operations.

Mr. Tse has over 16 years of experience in the construction industry. From June 2000 to November 2004, Mr. Tse undertook the position of site engineer at Oriental Boring & Eng. Ltd. In November 2004, Mr Tse founded Geology Construction & Engineering Company Limited where he gathered wide ranging experience in geotechnical and other construction works and established extensive connections within the industry.

Mr. Tse obtained a diploma in civil engineering studies from the Tuen Mun Technical Institute in August 1998 and a higher diploma in civil engineering from the Hong Kong Polytechnic University in November 2000. Mr. Tse further obtained a bachelor's degree in civil engineering from the China University of Geosciences in July 2004. Mr. Tse is currently in the course of completing of a bachelor of civil engineering degree from Hong Kong College of Technology.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Ms. CHAN Siu Ying** (陳少英), aged 45, is an executive Director and the director of human resources and administration of the Group. She was appointed as an executive Director on 10 March 2015. Ms. Chan joined the Group as an administration manager on 1 June 2012 and in her current role, she undertakes an expansive range of responsibilities which involves overseeing all of the Group's human resources and administration functions, from hiring of employees to managing workers' payroll and holidays, to monitoring the collection of project income, etc.

Ms. Chan has more than 15 years of experience in accounting and administration. From 1996 to 2000, she was an accounting officer at Chung Shun Boring Engineering Company Limited. From 2000 to 2001, she was the accounts supervisor of Man Nin Shing Company Limited. Between 2001 and 2009, she worked at Hong Kong Science and Technology Parks Corporation and her last position was accounting officer responsible for handling accounting matters for a number of laboratories and liaising with internal and external auditor. Ms. Chan is currently in the course of completing a bachelor of Arts degree in Chinese Humanities at the Open University of Hong Kong.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. WONG Chi Shing** (黃智成), aged 37, is an independent non-executive Director of the Company. He was appointed as an independent non-executive Director on 29 June 2015. Mr. Wong is serving on the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wong is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Mr. Wong Chi Shing has over 12 years of experience in accounting, financing and business advisory services. From 2003-2005, he worked at Lita Limited as management accountant. From 2005 to 2007, he worked at Hong Kong Express Airways Limited as an accountant. From 2007-2011, he worked at China Sonangol Resources Enterprise Limited, a company listed on the Stock Exchange (stock code: 1229) as an assistant finance manager. From 2011 to 2013, Mr. Wong worked at China Fertilizer Limited as accounting manager. In 2013, Mr. Wong worked at financial controller and company secretary at China Railsmedia Corporation Limited, a company listed on Stock Exchange (stock code: 745). Mr. Wong is currently a financial controller of Heng Xin China Holdings Limited, a company listed on Stock Exchange (stock code: 8046).

Mr. Wong Chi Shing obtained a bachelor's degree in accounting and finance from the University of Hong Kong in November 2001. He is a member of the Hong Kong Institute of Certified Public Accountants (admitted in July 2013) and a member of the Association of Chartered Certified Accountants (admitted in December 2006).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. KUO Tung Ming** (古冬明), aged 44, is an independent non-executive Director of the Company. Mr. Kuo was appointed as an independent non-executive Director on 29 June 2015. Mr. Kuo is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Kuo is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Mr. Kuo has over 19 years of experience in the design, supervision and project management of civil, geotechnical and structural engineering works in Hong Kong, Macau and Mainland China. Mr. Kuo joined LMM Consulting Engineers Limited as engineer in 2003 and was subsequently promoted to his current position of chief engineer in 2007. Mr. Kuo is also currently a director of TMK & Associates Limited.

Mr. Kuo obtained a bachelor of Engineering in Environment Engineering from the Hong Kong Polytechnic University in November 1996. Mr. Kuo obtained a postgraduate diploma in Construction Project Management from the University of Hong Kong in October 2000 and a master of Science in Civil Engineering from the Hong Kong University of Science and Technology in November 2001. Mr. Kuo was registered with the Engineers Registration Board as a Registered Professional Engineer (Civil, Geotechnical, Structural) in February 2010. Mr. Kuo was admitted as a member of the Institute of Quarrying in April 2013. Mr. Kuo is currently a Chartered Member of the Institution of Structural Engineers (admitted in August 2007) and a registered Geotechnical Engineer (registered in November 2007).

**Ms. SI TOU Man Wai** (司徒敏慧), aged 38, is an independent non-executive Director of the Company. Ms. Si Tou was appointed as an independent non-executive Director on 29 June 2015. Ms. Si Tou is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Ms. Si Tou is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company.

Ms. Si Tou has more than 15 years of experience in audit and financial advisory services with companies that are engaged in the provision of advisory services including mergers and acquisitions, valuation, and reorganisation. Ms. Si Tou is currently the chief financial officer and company secretary of Allied Cement Holdings Limited, a company listed on the stock Exchange (stock code: 1312). Prior to that, she worked at Deloitte Touche Tohmatsu in Hong Kong and Macau and two accountancy firms in Australia.

Ms. Si Tou obtained a master of commerce degree in funds management in May 2003 and a bachelor of commerce degree in accounting and finance in April 2000, both from the University of New South Wales. Ms. Si Tou is a member of the Hong Kong Institute of Certified Public Accountants (admitted in January 2015) and a member of the Institute of Chartered Accountants in Australia (admitted in August 2005).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### SENIOR MANAGEMENT

**Mr. LEUNG, Kwok Wah** (梁國華), aged 29, is a project manager of the Group. He joined the Group on 8 January 2016.

Mr. Leung obtained a bachelor degree of engineering in civil engineering from Hong Kong Polytechnic University in 2008. Mr. Leung was admitted as a chartered engineer and a member of the Institution of Civil Engineers since 2013, and a member of Hong Kong Institution of Engineer afterwards. Mr. Leung has over 7 years of experience in design, construction and project management in various infrastructure and building works including foundation works, site formation works, reinforced concrete construction, road and drain works and tunneling works.

The following table sets forth the working experience of Mr. Leung:

<b>Year</b>	<b>Employer</b>	<b>Last position</b>
6/2008-1/2013	Fugro (Hong Kong) Limited	Assistant Engineer/Assistant Resident Engineer
1-9/2013	Chun Wo-CEC Joint Venture	Engineer
9/2013-12/2015	Good Mind Engineering Limited	Project Manager

### COMPANY SECRETARY

**Ms. LI On Lok** (李安樂), aged 36, joined the Group as financial controller on 8 October 2015 and was appointed as the company secretary on 1 April 2016. She is primarily responsible for handling and overseeing financial reporting, corporate finance, investor relations, financial management and company secretaries of the Group. Ms. Li was admitted as a member of Hong Kong Institute of Certified Public Accountants in October 2015 and also was admitted as a fellow of The Association of Chartered Certified Accountants in September 2008.

Ms. Li has over 10 years' experience in auditing, accounting and financial management. She commenced her career in auditing from 2004 to 2007. From 2007-2015, she worked at Poly Property Group Co., Limited, a company listed on the Stock Exchange (stock code: 119) as accountant.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

## CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code from the date of Listing up to the date of this annual report.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company since the date of Listing.

## BOARD OF DIRECTORS

As at 31 March 2016, the Board comprised six Directors, including three executive Directors, namely Mr. Wong Chin To, Mr. Tse Chun Kit and Ms. Chan Siu Ying, and three independent non-executive Directors, namely Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai.

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company’s policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, and reviewing the Company’s compliance with the Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed “Board Committees”).



# CORPORATE GOVERNANCE REPORT (continued)

The biographical details of the Directors and other senior management are set out in the section headed with “Biographical Details of Directors and Senior Management” from pages 15 to 18 of this annual report. Save as disclosed in the section “Biographical Details of the Directors and Senior Management” in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

## Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management;
3. to review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the Company’s compliance with the Code and disclosure in the corporate governance report of the Company.

## Composition

The composition of the Board from the date of Listing up to the date of this annual report is set out as follows:

### Executive Directors

Mr. Wong Chin To ( <i>Chairman</i> )	(appointed on 15 July 2014)
Mr. Tse Chun Kit ( <i>Chief Executive Officer</i> )	(appointed on 10 March 2015)
Ms. Chan Siu Ying	(appointed on 10 March 2015)

### Independent non-executive Directors

Mr. Wong Chi Shing	(appointed on 29 July 2015)
Mr. Kuo Tung Ming	(appointed on 29 July 2015)
Ms. Si Tou Man Wai	(appointed on 29 July 2015)

In compliance with rule 5.05A, 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in rule 5.09 of the GEM Listing Rules.

With the various experience of both the executive Directors, the independent non-executive Directors and the nature of the Group's business, the board considered that the Directors have a balance of skills and experience for the business of the Group.

### **TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Each of our executive Directors has entered into a service contract with our Company and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with our executive Directors are for an initial term of three years commencing from the date of Listing. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from 29 June 2015. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our articles of association and the applicable GEM Listing Rules.

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Each of Mr. Wong Chin To, Mr. Tse Chun Kit, Ms. Chan Siu Ying, Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 29 July 2016 pursuant to article 108 of our articles of association. Mr. Wong Chin To, Mr. Tse Chun Kit, Ms. Chan Siu Ying, Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed election of Mr. Wong Chin To, Mr. Tse Chun Kit and Ms. Chan Siu Ying as executive Directors, Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai as independent non-executive Directors, all for a term commencing from the date of the annual general meeting which approves their appointments and ending at the conclusion of the third subsequent annual general meeting of the Company.

# CORPORATE GOVERNANCE REPORT (continued)

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Wong Chin To was the Chairman of the board throughout the year. Mr. Tse Chun Kit is our Chief Executive Officer of the Company.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors have received training hosted by the Company's legal advisor which was about, inter alia, the listing rules, Companies Ordinance and Securities and Futures Ordinance.

All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training to develop and refresh their knowledge and skills.

Pursuant to the provision A.6.5 of the Code, during the Year, all Directors had participated in continuous professional development in the following manner:

<b>Name of Directors</b>	<b>Training provided by the Company's legal advisor</b>
<b>Executive Directors</b>	
Mr. Wong Chin To	Attended
Mr. Tse Chun Kit	Attended
Ms. Chan Siu Ying	Attended
<b>Independent Non-executive Directors</b>	
Mr. Wong Chi Shing	Attended
Mr. Kuo Tung Ming	Attended
Ms. Si Tou Man Wai	Attended

## BOARD COMMITTEES

The Board has established three board committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website "www.hkgem.com" and the Company's website at "www.pakwingc.com". All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the board meetings set out below.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the Code and disclosures in this report.

## Audit Committee

The Audit Committee was established on 6 July 2015. The chairman of the Audit Committee is Mr. Wong Chi Shing, our independent non-executive Director, and other members include Mr. Kuo Tung Ming and Ms. Si Tou Man Wai, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has held 3 meetings during the year, with full attendance by all the members of the Audit Committee.

The attendance of the members of the Audit Committee are summarised below:

	<b>Number of attendance/number of meetings</b>
Mr. Wong Chi Shing (Chairman)	3/3
Mr. Kuo Tung Ming	3/3
Ms. Si Tou Man Wai	3/3

The Group's consolidated financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.



# CORPORATE GOVERNANCE REPORT (continued)

## Remuneration Committee

The Remuneration Committee was established on 6 July 2015. The chairman of the Remuneration Committee is Mr. Kuo Tung Ming, our independent non-executive Director, and other members include Mr. Wong Chi Shing and Ms. Si Tou Man Wai, our independent non-executive Directors, Mr. Wong Chin To, our chairman and executive Director. The written terms of reference of the Remuneration Committee are posted on the GEM website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriated policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year.

No Remuneration Committee meeting has been held during the year. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Remuneration Committee was held on 21 June 2016.

## Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairman of the Nomination Committee is Mr. Wong Chin To, our chairman and executive Director, and other members include Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the GEM website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

No Nomination Committee meeting has been held during the year. Subsequent to the end of the Year and up to the date of this report, the first meeting of the Nomination Meeting was held on 21 June 2016.

## BOARD MEETING, GENERAL MEETING AND PROCEDURES

Since the date of Listing up to 31 March 2016, 4 Board meetings were held. The forthcoming annual general meeting which will be held on 29 July 2016 is the first general meeting of the Company since the date of Listing.

The attendance record of each Director at the Board meetings are set out in the table below:

<b>Name of Directors</b>	<b>Number of attendance/ Number of Board meetings</b>
<b>Executive Directors</b>	
Mr. Wong Chin To	4/4
Mr. Tse Chun Kit	4/4
Ms. Chan Siu Ying	4/4
<b>Independent non-executive Directors</b>	
Mr. Wong Chi Shing	4/4
Mr. Kuo Tung Ming	4/4
Ms. Si Tou Man Wai	4/4

## AUDITOR'S REMUNERATION

The amount of fees charged by the external auditor generally depends on the scope and volume of the external auditor's work performed. For the Year, the remuneration paid or payable to the external auditor of the Company in respect of the statutory audit services and non-audit services for the Group are as follows:

	<b>Fees paid/payable for the services rendered HK\$'000</b>
Statutory audit services	570
Non-audit services for acting as reporting accountant for the Listing and tax services	494

## INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (I) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the GEM website “www.hkgem.com” and the Company’s website at “www.pakwingc.com”;
- (II) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (III) corporate information is made available on the Company’s website;
- (IV) annual and special general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (V) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the board or the Company may be sent by post to the Company’s principal place of business in Hong Kong.

During the Year, there is no significant change in the Company’s memorandum and articles of association.

## SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 64 of the articles of association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

## DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the Year has been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements. The Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report on pages 37 to 38 of this report.

# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2016.

## CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 July 2014.

In preparing for the listing of the Company's shares on the GEM Board of the Stock Exchange, the Group underwent the Group Reorganisation (as defined under note 3(a) to the consolidated financial statement) and the Company became the holding company of the companies comprising the Group upon the completion of the Group Reorganisation on 6 July 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 26 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Further discussion and analysis of these activities as required by Schedules 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Company Ordinance"), including a discussion of the principal risks and uncertainties facing the Group, environment policies of the Group, compliance with laws and regulations by the Group, its relationship with customer, supplier, subcontractors and employees and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 14 of this annual report. This discussion forms part of this directors' report.

## SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the loss from operations by principal activities and geographical area of operations for the Year is set out in note 6 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 39 to 83.

During the Year and before the Listing, a dividend of HK\$8,000,000 was distributed by Pak Wing Group Limited, the wholly owned subsidiary of the Company after the Group Reorganisation as described in the Prospectus, to its then shareholders.

The Directors do not recommended the payment of a final dividend for the Year.



## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 84 in this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in notes 23 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company are set out in note 25 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RELATED PARTY TRANSACTION

Save as disclosed in note 27 to the consolidated financial statements, no related party transaction were conducted by the Group during the Year.

As the shares were listed on GEM since the date of Listing, no connected transaction under Chapter 20 of the GEM Listing Rules were conducted during the Year.

## DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$66.7 million.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme on 6 July 2015 (the "Scheme") pursuant to the written resolution of the shareholders of the Company on 6 July 2015 for the purpose of providing additional incentives eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

Details of the Scheme are as follows:

- |   |  |
|---|--|
| 1. Purpose of the Scheme  | As incentive to eligible participants for their contribution to the Group and/or to enable the Group to attract and retain best available personnel that are valuable to the Group.  |
| 2. Eligible participants to the Scheme  | Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. |
| 3. Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report | 80,000,000 shares (equivalent to 10% of total issued share capital as at the date of this annual report).  |
| 4. Maximum entitlement of each participant under the Scheme   | Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.               |
| 5. The period within which the shares must be taken up under an option  | A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.   |
| 6. The minimum period for which an option must be held before it can be exercised   | Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.  |
| 7. The amount payable on application or acceptance of the option and the period within which payments or calls must be made             | The remittance of HK\$1.00 on or before the date of acceptance (which may not be later than seven days from the date of offer).  |

8. The basis of determining the exercise price
- Being determined by the Directors and being not less than the highest of:
- a. the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date;
  - b. the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the offer date; and
  - c. the nominal value of the share on the offer date.
9. The remaining life of the Scheme
- The Scheme is valid and effective for a period of 10 years commencing on 6 July 2015 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this report.

### DIRECTORS

The directors of the Company (the 'Board') during the year and up to the date of this report were as follows:

#### Executive Directors

Mr. Wong Chin To (*Chairman*)  
Mr. Tse Chun Kit (*Chief Executive Officer*)  
Ms. Chan Siu Ying

#### Independent non-executive Directors

Mr. Wong Chi Shing  
Mr. Kuo Tung Ming  
Ms. Si Tou Man Wai

In accordance with our articles of association, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of Listing and will continue thereafter until terminated by not less than three months written notice to the other party. Independent non-executive Directors are appointed for an initial term of three years commencing on 29 June 2015 subject to termination in certain circumstances as stipulated in appointment letter.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 18 of the annual report.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in notes 9 and 11 to the consolidated financial statements, respectively.

## DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 27 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

## MANAGEMENT CONTRACTS

As at 31 March 2016, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## INTERESTS OF THE COMPLIANCE ADVISOR

As at 31 March 2016, as notified by the Company's compliance advisor, Shenwan Hongyuan Capital (H.K.) Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 10 March 2015, neither the company advisor nor its directors, employees or close associates has any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Disclosure of Interests" below and the share option scheme disclosures in note 32 to the consolidated financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## DISCLOSURE OF INTERESTS

### Interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") or Rule 23.07 of the GEM Listing Rules are as follows:

#### Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares <i>(Note 3)</i>
Mr. Wong Chin To <i>(Note 1)</i>	Interest of a controlled corporation	300,000,000	37.5%
Mr. Tse Chun Kit <i>(Note 2)</i>	Interest of a controlled corporation	300,000,000	37.5%

*Notes:*

- Mr. Wong Chin To ("Mr. Wong") beneficially owns the entire issued share capital of Get Real Holdings Limited ("Get Real"). Therefore, Mr. Wong is deemed, or taken to be, interested in all the shares held by Get Real for the purpose of the SFO.
- Mr. Tse Chun Kit ("Mr. Tse") beneficially owns the entire issued share capital of Dor Holdings Limited ("Dor Holdings"). Therefore, Mr. Tse is deemed, or taken to be, interested in all the shares held by Dor Holdings for the purpose of the SFO.
- The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 March 2016, none of the Directors or the Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.



## DIRECTORS' REPORT (continued)

### Interests and short positions of substantial shareholders of the Company in the shares and underlying shares of the Company

As at 31 March 2016, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of Issued shares (Note 3)
Get Real Holdings Limited	Beneficial owner	300,000,000	37.5%
Ms. Wong Ching Nam (Note 1)	Interest of spouse	300,000,000	37.5%
Dor Holdings Limited	Beneficial owner	300,000,000	37.5%
Ms. Cheung Ho Yee (Note 2)	Interest of spouse	300,000,000	37.5%

Notes:

1. Ms. Wong Ching Nam ("Ms. Wong") is the spouse of Mr. Wong. Under the SFO, Ms. Wong is deemed to be interested in the same number of shares in which Mr. Wong is interested.
2. Ms. Cheung Ho Yee ("Ms. Cheung") is the spouse of Mr. Tse. Under the SFO, Ms. Cheung is deemed to be interested in the same number of shares in which Mr. Tse is interested.
3. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 March 2016, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

### COMPETING INTERESTS

The Directors, the controlling shareholders and their respective close associates do not have any interest in a business apart from our business which competes and is likely to compete, directly or indirectly, with our business.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the date of Listing.

### NON-COMPETITION UNDERTAKINGS IN DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has undertaken, among other things, not to accept any positions/job titles or conduct any business transactions with any individual or company that in any way competes with the Group or our associated companies, whether directly or indirectly. The executive Directors have also undertaken that they would not hold more than 5% of the economic interests and/or participate in any business activities of the aforesaid companies. Each of the executive Directors confirms that he had complied with the non-competition undertakings as set out in their respective service contracts from the date of the service contract up to the date of this annual report.

### CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Tuesday, 26 July 2016 to Friday, 29 July 2016, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 July 2016.

### USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting the underwriting fees, capitalized professional service fees and related expenses) amounted to approximately HK\$24.3 million, which have been used for the suggested purposes as set out in the section headed "Business Objectives, Future Plans and Use of Proceeds" of the Prospectus.

### EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2016 and up to the date of this report.

### DONATIONS

No donations had been made by the Group during the Year (2015: nil).

### CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 26 of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

## INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2016 has been audited by BDO Limited. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

**Mr. Wong Chin To**

*Chairman and Executive Director*

Hong Kong, 21 June 2016

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF PAK WING GROUP (HOLDINGS) LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Pak Wing Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 39 to 83, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT (continued)

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

Certified Public Accountants

### **Tang Tak Wah**

Practising Certificate Number P06262

Hong Kong, 21 June 2016



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	107,306	130,791
Cost of services		(106,342)	(95,866)
Gross profit		964	34,925
Other income		280	6
Administrative expenses		(25,252)	(18,725)
Finance costs	10	(812)	(534)
(Loss)/profit before income tax	8	(24,820)	15,672
Income tax	12	2,589	(3,798)
(Loss)/profit and total comprehensive income for the year attributable to the owners of the Company		(22,231)	11,874
<b>(Loss)/earnings per share</b>			
– Basic and diluted (HK cents)	14	(2.93)	1.75

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	36,915	25,603
Deferred tax assets	22	114	–
		<b>37,029</b>	<b>25,603</b>
<b>Current assets</b>			
Amounts due from customers for contract work	16	3	1,159
Trade and other receivables	17	26,285	40,614
Tax recoverable		3,627	915
Cash and cash equivalents	18	19,961	6,425
		<b>49,876</b>	<b>49,113</b>
<b>Total assets</b>		<b>86,905</b>	<b>74,716</b>
<b>Current liabilities</b>			
Amounts due to customers for contract work	16	2,350	–
Trade and other payables	19	15,731	16,215
Bank borrowings, secured	20	2,640	5,137
Obligations under finance leases	21	5,730	3,014
		<b>26,451</b>	<b>24,366</b>
<b>Net current assets</b>		<b>23,425</b>	<b>24,747</b>
<b>Total assets less current liabilities</b>		<b>60,454</b>	<b>50,350</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	21	8,270	4,293
Deferred tax liabilities	22	64	2,504
		<b>8,334</b>	<b>6,797</b>
<b>NET ASSETS</b>		<b>52,120</b>	<b>43,553</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	23	8,000	22
Reserves	25	44,120	43,531
<b>TOTAL EQUITY</b>		<b>52,120</b>	<b>43,553</b>

On behalf of the Board

**Wong Chin To**  
Director

**Tse Chun Kit**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital	Share premium*	Merger reserve*	Retained earnings*	Total
	HK\$'000	(Note 25(a)) HK\$'000	(Note 25(b)) HK\$'000	(Note 25(c)) HK\$'000	HK\$'000
<b>As at 1 April 2014</b>	20	–	–	32,657	32,677
Profit and total comprehensive income for the year	–	–	–	11,874	11,874
Issue of new shares on incorporation of new group companies	2	–	–	–	2
Interim dividend (Note 13)	–	–	–	(1,000)	(1,000)
<b>As at 31 March 2015 and 1 April 2015</b>	22	–	–	43,531	43,553
Loss and total comprehensive income for the year	–	–	–	(22,231)	(22,231)
Interim dividend (Note 13)	–	–	–	(8,000)	(8,000)
Arising from group reorganisation (Note 23(b))	(22)	–	22	–	–
Issue of shares upon group reorganisation (Note 23(c))	380	51,347	(51,727)	–	–
Capitalisation issue of shares (Note 23(d))	6,420	(6,420)	–	–	–
Issue of shares under placing (Note 23(e))	1,200	40,800	–	–	42,000
Share issuance expenses	–	(3,202)	–	–	(3,202)
<b>As at 31 March 2016</b>	<b>8,000</b>	<b>82,525</b>	<b>(51,705)</b>	<b>13,300</b>	<b>52,120</b>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$44,120,000 in the consolidated statement of financial position as at 31 March 2016 (2015: HK\$43,531,000).

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax		(24,820)	15,672
Adjustments for:			
Depreciation of property, plant and equipment	8	11,052	7,323
Finance costs	10	812	534
Loss on disposal of property, plant and equipment	8	241	110
Impairment loss on retention receivables	8	1,076	–
Operating (loss)/profit before working capital changes		(11,639)	23,639
Decrease/(increase) in amounts due from customers for contract work		1,156	(594)
Decrease/(increase) in trade and other receivables		13,253	(15,527)
Increase in amounts due to customers for contract work		2,350	–
(Decrease)/increase in trade and other payables		(484)	3,854
Cash generated from operations		4,636	11,372
Income tax paid, net		(2,676)	(11,271)
<b>Net cash generated from operating activities</b>		<b>1,960</b>	<b>101</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(9,642)	(4,574)
Proceeds from disposal of property, plant and equipment		533	4
<b>Net cash used in investing activities</b>		<b>(9,109)</b>	<b>(4,570)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	23(e)	42,000	2
Share issuance expenses		(3,202)	–
Interim dividend paid	13	(8,000)	(1,000)
Decrease in amounts due to directors		–	(1,184)
Repayment of obligations under finance leases		(6,804)	(2,613)
Interest paid		(812)	(534)
Proceeds from bank borrowings		3,158	10,643
Repayment of bank borrowings		(5,655)	(5,506)
<b>Net cash generated from/(used in) financing activities</b>		<b>20,685</b>	<b>(192)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,536</b>	<b>(4,661)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>6,425</b>	<b>11,086</b>
<b>Cash and cash equivalents at end of the year</b>		<b>19,961</b>	<b>6,425</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 1. GENERAL

Pak Wing Group (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office and principal place of business of the Company is located at the offices of Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 2815-16, 28/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, respectively.

The Company’s shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 August 2015.

The Company is an investment holding company and the Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong (the “Listing Business”).

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs – effective on 1 April 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group’s financial statements.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instrument <sup>2</sup>
Amendments to HKFRS 10,	Investment Entities:
HKFRS 12 and HKAS 28	Applying the Consolidation Exception <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019



## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### *Amendments to HKAS 1 – Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

#### *Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### *Amendments to HKAS 27 – Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### *HKFRS 9 (2014) – Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### ***HKFRS 9 (2014) – Financial Instruments (Continued)***

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception***

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary’s main purpose is to provide services that relate to the investment entity’s investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

#### ***HKFRS 15 – Revenue from Contracts with Customers***

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### **HKFRS 16 – Leases**

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRSC) – Int 4 Determining whether an Arrangement contains a lease, HK(SIC) – Int 15 Operating Lease-Incentives and HK(SIC) – Int 27 Evaluating Substance of Transactions involving the Legal Form of a Lease.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with assets (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. leases of 12 months or less, including the effect of any extension options) and (b) leases of low-value assets (for example, a lease of a personal computer). HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the potential impact of adopting the above new/revised HKFRSs to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

### (c) Amended GEM Listing Rules (as below-mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “Amended GEM Listing Rules”) in relation to the presentation and disclosures in financial statements, including the amendments with reference to the Hong Kong Companies Ordinance, Cap. 622, apply to the Company in this financial year.

The directors consider that there is no impact on the Group’s financial position or performance, however the Amended GEM Listing Rules impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## 3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

### (a) Group reorganisation

Pursuant to a group reorganisation (the “Group Reorganisation”) carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 6 July 2015. Details of the Group Reorganisation are set out in the section headed “History and Development” to the Prospectus issued by the Company dated 28 July 2015.

### (b) Basis of presentation

The Group Reorganisation involved the combination of a number of entities engaged in the Listing Business that were collectively controlled by Mr. Wong Chin To and Mr. Tse Chun Kit (the “Controlling Shareholders”) before and after the Group Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Group Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 March 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever was shorter. The consolidated statement of financial position of the Group as at 31 March 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

### (c) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Securities on the GEM of the Stock Exchange (the “Listing Rule”).

### (d) Basic of measurement

The consolidated financial statements have been prepared under the historical cost basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION (Continued)

### (e) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Other than business combination under common control for which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group’s previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leasehold improvements	Over the lease term but not exceeding 5 years
Machineries	20% per annum
Furniture and equipment	20% per annum
Motor vehicles	30% per annum

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

### (d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Financial instruments

#### (i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. All of the Group's financial assets are classified as loans and receivables, which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

#### (ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Financial instruments (Continued)

#### (ii) *Impairment loss on financial assets (Continued)*

*For Loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

#### (iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are classified as financial liabilities at amortised cost, which are initially measured at fair value, net of directly attributable costs incurred. They are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) *Equity instruments*

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

#### (vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Financial instruments (Continued)

#### (vi) *Derecognition (Continued)*

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

#### (vii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### (f) Employee benefits

#### (i) *Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### (ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### (h) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the reporting periods.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

### (i) Revenue recognition

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

### (k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

### (m) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply: (Continued)
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### (n) Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its financial statements prepared under HKFRS 8.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (i) **Construction contract revenue recognition**

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

#### (ii) **Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4(l). The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Estimates and assumptions (Continued)

#### *(iii) Impairment of trade and other receivables*

Provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

#### *(iv) Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

#### *(v) Estimated useful lives of property, plant and equipment*

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting periods, based on changes in circumstances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 6. SEGMENT INFORMATION

### Operating segments

The Group was principally engaged in the provision of foundation works. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

### Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

### Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2016 HK\$'000	2015 HK\$'000
Oriental Boring & Eng. Ltd.	N/A	20,941
Customer A	18,585	22,287
Customer B	N/A	24,926
Customer C	N/A	15,566
Customer D	42,917	N/A
Customer E	19,629	N/A

N/A Revenue from the customer during the year did not exceed 10% of the Group's revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2016*

## 7. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and recognised in accordance with accounting policy set out in Note 4(i) above during the year.

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived after charging:

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	570	200
Listing expenses	6,380	6,720
Depreciation of property, plant and equipment	11,052	7,323
Operating lease rentals in respect of:		
– Land and buildings	1,592	1,579
– Plant and equipment	10,596	6,331
Impairment loss on retention receivables	1,076	–
Loss on disposal of property, plant and equipment	241	110
Employee benefit expenses ( <i>Note 9</i> )	34,698	33,022

## 9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2016 HK\$'000	2015 HK\$'000
Wages, salaries and other benefits	33,742	32,024
Post-employment benefits – defined contribution retirement plan contributions	956	998
	34,698	33,022

## 10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on finance leases	669	395
Interest on bank borrowings	143	139
	812	534



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

### (i) Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees HK\$'000	Salaries and benefits HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 March 2016</b>				
Executive directors:				
Mr. Wong Chin To	–	3,473	18	3,491
Mr. Tse Chun Kit	–	3,355	18	3,373
Ms. Chan Siu Ying	–	574	12	586
	–	7,402	48	7,450
Independent non-executive directors:				
Mr. Wong Chi Shing	–	91	4	95
Mr. Kuo Tung Ming	–	91	4	95
Ms. Si Tou Man Wai	–	91	4	95
	–	273	12	285
<b>Total</b>	–	<b>7,675</b>	<b>60</b>	<b>7,735</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL (Continued)

### (i) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries and benefits HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2015				
Executive directors:				
Mr. Wong Chin To	–	2,481	17	2,498
Mr. Tse Chun Kit	–	1,995	18	2,013
Ms. Chan Siu Ying	–	366	15	381
	–	4,842	50	4,892
Independent non-executive directors:				
Mr. Wong Chi Shing	–	–	–	–
Mr. Kuo Tung Ming	–	–	–	–
Ms. Si Tou Man Wai	–	–	–	–
	–	–	–	–
Total	–	4,842	50	4,892

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL (Continued)

### (ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 executive directors of the Company for the year ended 31 March 2016 (2015: 2), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefit in kind	2,993	2,819
Pension scheme contributions – defined contribution plans	54	53
	<b>3,047</b>	<b>2,872</b>

Their remuneration fell within the following bands:

	2016 No. of employees	2015 No. of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$ 2,000,000	1	1

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

### (iii) Senior management's emoluments

The emoluments paid or payable to members of senior management, other than the five highest paid employees were within the following bands:

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	3	3
HK\$2,000,001 to HK\$3,000,000	–	2
HK\$3,000,001 to HK\$4,000,000	2	–
	<b>5</b>	<b>5</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 12. INCOME TAX

The amount of income tax in the consolidated statement of comprehensive income represents:

	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong profits tax		
– charge for the year	–	3,339
– over provision in respect of prior years	(35)	–
Deferred tax (Note 22)	(2,554)	459
Income tax	(2,589)	3,798

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits during the year.

The income tax for the year can be reconciled to the (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2016 HK\$'000	2015 HK\$'000
(Loss)/profit before income tax	(24,820)	15,672
Tax calculated at the applicable statutory tax rate of 16.5%	(4,095)	2,586
Tax effect of non-deductible expenses	1,541	1,212
Over provision of income tax in respect of prior years	(35)	–
Income tax at the effective tax rate	(2,589)	3,798

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 13. DIVIDEND

	2016 HK\$'000	2015 HK\$'000
Interim dividend	8,000	1,000

The interim dividend for the current and prior years represented those declared and paid by Pak Wing Group Limited and Unicorn World Holding Limited to their then shareholders prior to the completion of the Group Reorganisation.

## 14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Group is based on the following data:

	2016 HK\$'000	2015 HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	(22,231)	11,874
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	758,033	680,000

There were no potential ordinary shares in issue for the years ended 31 March 2016 and 2015. Accordingly, the diluted (loss)/earnings per share presented is the same as basic (loss)/earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2016*

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Machineries HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2014	74	24,668	259	3,436	28,437
Additions	924	7,537	153	520	9,134
Disposals	(74)	–	(34)	(82)	(190)
At 31 March 2015 and 1 April 2015	924	32,205	378	3,874	37,381
Additions	–	18,416	937	3,786	23,139
Disposals	–	–	–	(1,095)	(1,095)
At 31 March 2016	924	50,621	1,315	6,565	59,425
<b>Accumulated depreciation</b>					
At 1 April 2014	31	3,835	33	632	4,531
Provided for the year	236	5,989	73	1,025	7,323
Eliminated on disposals	(37)	–	(6)	(33)	(76)
At 31 March 2015 and 1 April 2015	230	9,824	100	1,624	11,778
Provided for the year	276	8,896	215	1,665	11,052
Eliminated on disposals	–	–	–	(320)	(320)
At 31 March 2016	506	18,720	315	2,969	22,510
<b>Net book value</b>					
At 31 March 2016	418	31,901	1,000	3,596	36,915
At 31 March 2015	694	22,381	278	2,250	25,603

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 21).

	2016 HK\$'000	2015 HK\$'000
Machineries	15,792	9,439
Motor vehicles	3,094	502
	18,886	9,941



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Contracts in progress:		
Contract costs incurred	53,209	32,825
Recognised profits less recognised losses	6,395	15,251
	<b>59,604</b>	48,076
Less: progress billings	<b>(61,951)</b>	(46,917)
	<b>(2,347)</b>	1,159
Represented by:		
Amounts due from customers for contract work	3	1,159
Amounts due to customers for contract work	<b>(2,350)</b>	–
	<b>(2,347)</b>	1,159

As at 31 March 2016, retentions held by customers for contract work included in trade and other receivables (Note 17) amounted to approximately HK\$4,365,000 (2015: HK\$4,303,000).

As at 31 March 2016, contract work in progress amounted to approximately HK\$3,000 (2015: HK\$1,159,000), representing costs incurred that relate to future activity on contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 17. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables (Note (a))	19,889	32,020
Retention receivables (Note (b))	4,365	4,303
Other receivables (Note (c))	613	828
Prepayments and deposits (Note (c))	1,418	3,463
	<b>26,285</b>	<b>40,614</b>

- (a) Trade receivables were mainly derived from provision of foundation works and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. Included in trade receivables were receivables from a related party of the Group, Oriental Boring & Eng. Ltd., of approximately HK\$208,000 as at 31 March 2015. Oriental Boring & Eng. Ltd. is beneficially owned by the parents of Mr. Tse Chun Kit, a director of the Company.

The Group grants an average credit period of 30 to 60 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2016 HK\$'000	2015 HK\$'000
Less than 1 month	7,360	7,381
1 to 3 months	9,058	14,160
More than 3 months but less than one year	3,471	10,479
	<b>19,889</b>	<b>32,020</b>

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	7,145	7,489
Less than 1 month past due	4,409	13,900
1 to 3 months past due	7,245	6,442
More than 3 months past due but less than 12 months past due	1,090	4,189
	<b>19,889</b>	<b>32,020</b>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 17. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

Movement in provision for impairment of trade receivables is as follows:

	HK\$'000
As at 1 April 2014, 31 March 2015 and 1 April 2015	171
Impairment loss recognised	–
As at 31 March 2016	171

(b)

	2016 HK\$'000	2015 HK\$'000
Retention receivables	5,441	4,303
Less: provision for impairment on retention receivables	(1,076)	–
	4,365	4,303

Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

The below table reconciled the impairment loss on retention receivables for the current and prior years:

	HK\$'000
As at 1 April 2014, 31 March 2015 and 1 April 2015	–
Impairment loss recognised	1,076
As at 31 March 2016	1,076

Included in the above provision for impairment of retention receivables is a provision for individually impaired retention receivables of approximately of HK\$1,076,000 as at 31 March 2016 with a carrying amount of approximately HK\$1,076,000 as at 31 March 2016.

(c) Other receivables, prepayment and deposits as at 31 March 2016 and 2015 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

## 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group represent cash at banks and in hand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 19. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables <i>(Note (a))</i>	12,471	11,123
Other payables and accruals <i>(Note (b))</i>	3,260	5,092
	<b>15,731</b>	<b>16,215</b>

Notes:

- (a) An ageing analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2016 HK\$'000	2015 HK\$'000
Current or less than 1 month	6,861	3,878
1 to 3 months	4,855	5,567
More than 3 months but less than one year	750	551
More than one year	5	1,127
	<b>12,471</b>	<b>11,123</b>

The Group's trade payables are non-interest bearing and generally have payment terms of less than 60 days.

- (b) Other payables are non-interest bearing and have average payment terms of one to three months.

## 20. BANK BORROWINGS, SECURED

	2016 HK\$'000	2015 HK\$'000
<b>Current</b>		
Bank borrowings, secured	2,640	5,137

The bank borrowings bear interest at the Hong Kong Prime Rate minus 2% per annum (2015: Hong Kong Prime Rate minus 1.75% to 3.1% per annum).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 21. LEASES

### (a) Finance leases

The Group leases a number of its machineries and motor vehicles for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Present value</b>
	HK\$'000	HK\$'000	HK\$'000
<b>As at 31 March 2016</b>			
Not later than one year	6,283	553	5,730
Later than one year and not later than two years	4,457	300	4,157
Later than two years and not later than five years	4,231	118	4,113
	<b>14,971</b>	<b>971</b>	<b>14,000</b>
<b>As at 31 March 2015</b>			
Not later than one year	3,324	310	3,014
Later than one year and not later than two years	2,984	145	2,839
Later than two years and not later than five years	1,503	49	1,454
	<b>7,811</b>	<b>504</b>	<b>7,307</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 21. LEASES (Continued)

### (b) Operating leases – lessee

The Group leased its office premises and machineries under operating lease arrangement which were negotiated for terms ranging from one to three years. None of these leases include any contingent rentals.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2016 HK\$'000	2015 HK\$'000
Not later than one year	4,749	1,685
Later than one year and not later than five years	309	1,452
	<b>5,058</b>	<b>3,137</b>

## 22. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years:

	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Total HK\$'000
At 1 April 2014	–	(2,045)	(2,045)
Charged to profit or loss for the year (Note 12)	–	(459)	(459)
At 31 March 2015 and 1 April 2015	–	(2,504)	(2,504)
Credited/(charged) to profit or loss for the year (Note 12)	3,428	(874)	2,554
At 31 March 2016	3,428	(3,378)	50



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 22. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	114	–
Deferred tax liabilities	(64)	(2,504)
Net	50	(2,504)

## 23. SHARE CAPITAL

	The Company	
	Number	Amount HK\$'000
<b>Authorised:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
At date of incorporation, 31 March 2015 and 1 April 2015	38,000,000	380
Increase in authorised share capital on 6 July 2015 (Note (a))	962,000,000	9,620
At 31 March 2016	1,000,000,000	10,000
<b>Issued and fully paid:</b>		
<i>Ordinary shares of HK\$0.01 each</i>		
At the date of incorporation	1	–
Issue of a share on 13 January 2015	1	–
Issue of shares upon Group Reorganisation (Note (c))	37,999,998	380
Capitalisation issue of shares (Note (d))	642,000,000	6,420
Issue of shares under placing (Note (e))	120,000,000	1,200
At 31 March 2016	800,000,000	8,000

(a) The Company was incorporated in the Cayman Islands on 15 July 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one ordinary share of HK\$0.01 was issued to Reid Service Limited at nil paid, and was transferred to Get Real Holdings Limited (“Get Real”) for nil consideration. On 13 January 2015, Dor Holdings Limited (“Dor Holdings”) subscribed one ordinary share of HK\$0.01 at nil paid. Pursuant to the written resolutions passed on 6 July 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 ordinary shares.

(b) The share capital of the Group as at 31 March 2015 represented the aggregate amount of the share capital of the subsidiaries and was transferred to merger reserve upon the Group Reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 23. SHARE CAPITAL (Continued)

- (c) On 6 July 2015, Get Real and Dor Holdings, each as a vendor, and the Company, as purchaser, entered in a share swap deed, pursuant to which the Company acquired a 50% of the entire equity interest of Pak Wing Group Limited and Unicorn World Holdings Limited from each of the vendors and as consideration for which (i) the 1 and 1 nil-paid shares in the Company held by Get Real and Dor Holdings respectively were credited as fully paid, and (ii) 18,999,999 and 18,999,999 shares of the Company were issued and allotted to each of Get Real and Dor Holdings respectively, all credited as fully paid.
- (d) Pursuant to written resolutions passed on 6 July 2015, the Directors authorised to capitalise a sum of approximately HK\$6,420,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 642,000,000 ordinary shares of the Company ("Capitalisation Issue").
- (e) Under a placing took place during the year, 120,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.35 per share for a total cash consideration (before share issuance expenses) of approximately HK\$42,000,000.

## 24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Note	2016 HK\$'000	2015 HK\$'000
<b>Non current assets</b>		
Investments in subsidiaries	51,727	–
	<b>51,727</b>	–
<b>Current assets</b>		
Prepayment and deposit	218	2,162
Amount due from a subsidiary	15,170	–
Cash and cash equivalents	7,968	–
	<b>23,356</b>	2,162
<b>Current liabilities</b>		
Accruals and other payables	390	–
Amount due to a subsidiary	–	8,922
	<b>390</b>	8,922
<b>NET ASSETS/(LIABILITIES)</b>	<b>74,693</b>	<b>(6,760)</b>
<b>EQUITY</b>		
Share capital	8,000	–
Reserves	25 66,693	(6,760)
<b>TOTAL EQUITY</b>	<b>74,693</b>	<b>(6,760)</b>

On behalf of the Board

**Wong Chin To**  
Director

**Tse Chun Kit**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Movements in the Company's reserves during the current and prior years are as follows:

	Share premium (a) HK\$'000	Accumulated losses (c) HK\$'000	Total HK\$'000
At 1 April 2014	–	–	–
Loss for the year	–	(6,760)	(6,760)
At 31 March 2015 and 1 April 2015	–	(6,760)	(6,760)
Issue of shares upon Group			
Reorganisation (Note 23(c))	51,347	–	51,347
Capitalisation issue of shares (Note 23(d))	(6,420)	–	(6,420)
Issue of shares under the placing (Note 23(e))	40,800	–	40,800
Share issuance expenses	(3,202)	–	(3,202)
Loss for the year	–	(9,072)	(9,072)
At 31 March 2016	82,525	(15,832)	66,693

The nature and purpose of reserves within equity are as follows:

### (a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as the fall due in the ordinary course of business.

### (b) Merger reserve

The merger reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company.

### (c) Retained earnings/(accumulated losses)

The amount represents cumulative net gains and losses recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

*For the year ended 31 March 2016*

## 26. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2016 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Pak Wing Group Limited ("Pak Wing Group")	British Virgin Islands (the "BVI"), 14 May 2014, limited liability company	100%	–	100 ordinary shares of United States dollar ("US\$")1 each	Investment holding, Hong Kong
Unicorn World Holdings Limited ("Unicorn World")	BVI, 29 October 2014, limited liability company	100%	–	100 ordinary shares of US\$1 each	Investment holding, Hong Kong
Pak Wing Construction Company Limited ("Pak Wing Construction")	Hong Kong, 18 October 2011, limited liability company	–	100%	10,000 ordinary shares of HK\$1 each	Foundation subcontractor, Hong Kong
Pak Wing Machinery Company Limited ("Pak Wing Machinery")	Hong Kong, 29 May 2013, limited liability company	–	100%	10,000 ordinary shares of HK\$1 each	Rental of machinery, Hong Kong

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 27. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions, which also constitute connected transactions as defined in Chapter 20 of the Listing Rules, during the year:

<b>Name of related parties</b>	<b>Nature of transactions</b>	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
Oriental Boring & Eng. Ltd (a)	Income from provision of construction services (c)	–	20,941
	Purchase of contract materials (c)	–	101
	Contract related services charge (c)	–	557
Air Power Limited (b)	Machinery rental expense (c)	–	9

Notes:

- (a) Oriental Boring & Eng. Ltd is beneficially owned by the parents of Mr. Tse Chun Kit, a director of the Company.
- (b) Mr. Tse Chun Kit, a director of the Company, has beneficial interest of 50% in Air Power Limited.
- (c) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

### Key management personnel compensation

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

## 28. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, borrowings and obligations under finance leases. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from amounts due from a director and a related party and deposits with banks.

The credit risk of Group's trade and retention receivables is concentrated, since 87% and 77% of which was derived from five largest customers as at 31 March 2016 and 2015, respectively.

The Group had a concentration of credit risk as certain of the Group's trade and retention receivables were due from the Group's largest customer and the five largest customers as detailed below.

	2016 HK\$'000	2015 HK\$'000
Largest customer	6,340	6,776
Five largest customers	21,074	28,111

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 17.

The Group's customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than one year or repayable on demand HK\$'000	One year or above HK\$'000
<b>As at 31 March 2016</b>				
Trade and other payables	15,731	15,731	15,731	–
Obligations under finance leases	14,000	14,971	6,284	8,687
Bank borrowings, secured	2,640	2,685	2,685	–
	<b>32,371</b>	<b>33,387</b>	<b>24,700</b>	<b>8,687</b>

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than one year or repayable on demand HK\$'000	One year or above HK\$'000
<b>As at 31 March 2015</b>				
Trade and other payables	16,215	16,215	16,215	–
Obligations under finance leases	7,307	7,811	3,324	4,487
Bank borrowings, secured	5,137	5,261	5,261	–
	<b>28,659</b>	<b>29,287</b>	<b>24,800</b>	<b>4,487</b>

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, borrowings and bank overdrafts. Interest charged on the Group's borrowings are at variable rates. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term bank deposits. However, management considers the fair value interest rate risk on these deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points and 100 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances and borrowings, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposures during the year.

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2016 and 2015 is as follows:

	2016 HK\$'000	2015 HK\$'000
Increase/(decrease) in profit for the year		
– as a result of increase in interest rate	100	32
– as a result of decrease in interest rate	(100)	(32)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 28. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Interest rate risk (Continued)

#### *Sensitivity analysis (Continued)*

If interest rates on bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2016 and 2015 is as follows:

	2016 HK\$'000	2015 HK\$'000
(Decrease)/increase in profit for the year		
– as a result of increase in interest rate	26	51
– as a result of decrease in interest rate	(26)	(51)

## 29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the total of obligations under finance leases and borrowings and less cash and cash equivalents. Capital represents equity of the Group.

	2016 HK\$'000	2015 HK\$'000
Total debt	16,640	12,444
Less: Cash and cash equivalents	(19,961)	(6,425)
Net debt	(3,321)	6,019
Equity attributable to the owners of the Company	52,120	43,553
Gearing ratio	N/A	14%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2016

## 30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets – loans and receivables</b>		
Trade and other receivables	25,503	37,715
Cash and cash equivalents	19,961	6,425
	<b>45,464</b>	<b>44,140</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	15,731	16,215
Obligations under finance leases	14,000	7,307
Bank borrowings, secured	2,640	5,137
	<b>32,371</b>	<b>28,659</b>

## 31. COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for:		
Property, plant and equipment	1,000	732

## 32. SHARE OPTION SCHEME

Shareholders of the Company have approved and adopted a share option scheme (the "Scheme") on 6 July 2015.

A summary of the Scheme is set out as below:

The Scheme became effective for a period of 10 years commencing on 6 July 2015. Under the Scheme, the directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date. The offer of a grant of options may be accepted within seven days from the date of the offer grant.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of the approval of the Scheme.

No options have been granted since the adoption of the share option scheme.

## 33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 June 2016.

# SUMMARY OF FINANCIAL INFORMATION

For the four years ended 31 March 2013, 2014, 2015 and 2016

## RESULTS

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Total revenue	107,306	130,791	101,747	55,256
(Loss)/profit before income tax	(24,820)	15,672	31,948	17,972
Income tax	2,589	(3,798)	(5,816)	(2,960)
(Loss)/profit and total comprehensive income for the year	(22,231)	11,874	26,132	15,012

## ASSETS AND LIABILITIES

Total assets	86,905	74,716	60,644	31,748
Total liabilities	(34,785)	(31,163)	(27,967)	(15,213)
Net assets	52,120	43,553	32,677	16,535