



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



Interim
Report
2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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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.

FINANCIAL RESULTS

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

| | Notes | Three months ended 30 September | | Six months ended 30 September | |
|--|-------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Revenue | 3 | 35,230 | 27,559 | 59,684 | 69,747 |
| Cost of services | | (36,584) | (30,904) | (62,633) | (68,239) |
| Gross (loss)/profit | | (1,354) | (3,345) | (2,949) | 1,508 |
| Other income | | 2,978 | 182 | 3,152 | 526 |
| Reversal of impairment loss on retention receivables | | - | 770 | - | 770 |
| Administrative expenses | | (3,738) | (4,008) | (7,915) | (7,035) |
| Finance costs | 4 | (316) | (257) | (565) | (454) |
| Loss before income tax | 5 | (2,430) | (6,658) | (8,277) | (4,685) |
| Income tax | 6 | 705 | 861 | 465 | 435 |
| Loss and total comprehensive income for the period attributable to the owners of the Company | | (1,725) | (5,797) | (7,812) | (4,250) |
| | | HK cents | HK cents | HK cents | HK cents |
| Loss per share - Basic and diluted | 7 | (0.216) | (0.725) | (0.977) | (0.531) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|---|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 25,970 | 33,659 |
| Deferred tax assets | | 457 | – |
| | | 26,427 | 33,659 |
| Current assets | | | |
| Amounts due from customers for contract work | | – | 960 |
| Trade and other receivables | 10 | 51,667 | 29,895 |
| Cash and cash equivalents | | 11,956 | 19,177 |
| | | 63,623 | 50,032 |
| Current liabilities | | | |
| Trade and other payables | 11 | 32,711 | 34,739 |
| Amounts due to directors | 12 | 5,242 | 1,256 |
| Obligations under finance leases | 13 | 5,942 | 6,301 |
| | | 43,895 | 42,296 |
| Net current assets | | 19,728 | 7,736 |
| Total assets less current liabilities | | 46,155 | 41,395 |
| Non-current liabilities | | | |
| Obligations under finance leases | 13 | 4,873 | 7,883 |
| Loans from directors | 12 | 13,119 | 9,148 |
| Borrowings, unsecured | 14 | 11,619 | – |
| Deferred tax liabilities | | 182 | 190 |
| | | 29,793 | 17,221 |
| NET ASSETS | | 16,362 | 24,174 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 8,000 | 8,000 |
| Reserves | | 8,362 | 16,174 |
| TOTAL EQUITY | | 16,362 | 24,174 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2017*

| | Attributable to the owners of the Company | | | | | Total HK\$'000 |
|---|---|------------------------------|--------------------------------|--|--------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserves HK\$'000 | Accumulated losses/ retained earnings HK\$'000 | Capital reserve HK\$'000 | |
| As at 1 April 2017 (Audited) | 8,000 | 82,525 | (51,705) | (15,628) | 982 | 24,174 |
| Loss and total comprehensive income for the period | - | - | - | (7,812) | - | (7,812) |
| As at 30 September 2017 (Unaudited) | 8,000 | 82,525 | (51,705) | (23,440) | 982 | 16,362 |
| As at 1 April 2016 (Audited) | 8,000 | 82,525 | (51,705) | 13,300 | - | 52,120 |
| Loss and total comprehensive income for the period | - | - | - | (4,250) | - | (4,250) |
| As at 30 September 2016 (Unaudited) | 8,000 | 82,525 | (51,705) | 9,050 | - | 47,870 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2017*

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash used in operating activities | (24,777) | (6,776) |
| Net cash generated from/(used in) investing activities | 1,125 | (2,180) |
| Net cash generated from financing activities | 16,431 | 4,559 |
| Net decrease in cash and cash equivalents | (7,221) | (4,397) |
| Cash and cash equivalents at beginning of the period | 19,177 | 19,961 |
| Cash and cash equivalents at end of the period | 11,956 | 15,564 |

NOTES TO THE UNAUDITED FINANCIAL RESULTS

1. GENERAL INFORMATION

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 are located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong, respectively. The Company is an investment holding company and the shares were listed on GEM on 10 August 2015 (the "Listing"). The Group is principally engaged in the provision of foundation works in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial information for the Relevant Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the GEM Listing Rules.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial information, and there have otherwise been no significant changes to the accounting policies applied.

The preparation of condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The unaudited condensed consolidated financial information results for the Relevant Period have not been audited by the Company's independent auditors, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

The unaudited condensed consolidated financial information is presented in Hong Kong Dollars (HK\$), which is also the functional currency of the Company. All values are rounded to the nearest thousands except when otherwise indicated.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents amount received and receivable from contract works performed and recognised during the Relevant Period, which is also the Group's turnover, being revenue generated from its principal activities.

Operating segment

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

The Group's revenue was principally 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.

4. FINANCE COSTS

| | Three months ended 30 September | | Six months ended 30 September | |
|----------------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Interest on bank borrowings | - | 14 | - | 36 |
| Interest on finance leases | 152 | 167 | 326 | 342 |
| Interest on loans from directors | 82 | 76 | 120 | 76 |
| Interest on unsecured borrowings | 82 | - | 119 | - |
| | 316 | 257 | 565 | 454 |

5. LOSS BEFORE INCOME TAX

| | Three months ended 30 September | | Six months ended 30 September | |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Loss before income tax is arrived at after charging/(crediting): | | | | |
| Employee benefit expense (including Directors' remuneration) | 5,059 | 7,653 | 10,741 | 15,267 |
| Loss on disposal of property, plant & equipment | 9 | - | 9 | - |
| Depreciation | 3,196 | 3,292 | 6,555 | 6,562 |
| Operating lease rentals in respect of: | | | | |
| - Land and building | 807 | 466 | 1,549 | 866 |
| - Plant and equipment | 426 | 2,336 | 1,393 | 7,064 |
| Reversal of impairment loss on retention receivables | - | (770) | - | (770) |

6. INCOME TAX

| | Three months ended 30 September | | Six months ended 30 September | |
|-----------------------------|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Current tax for the period: | | | | |
| Hong Kong profits tax | - | - | - | - |
| Deferred tax | 705 | 861 | 465 | 435 |
| | 705 | 861 | 465 | 435 |

No provision for Hong Kong profits tax has been made for the current and prior periods as the group companies which are subject to Hong Kong profits tax at the applicable tax rate of 16.5% either incurred tax losses for the Relevant Period or have tax losses brought forward to set off with the assessable profit for the Relevant Period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these countries.

7. LOSS PER SHARE

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

| | For the six months ended 30 September | |
|--|---------------------------------------|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Loss | | |
| Loss attributable to owners of the Company | (7,812) | (4,250) |
| Number of shares | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | 800,000 | 800,000 |

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2017 and 2016.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the Relevant Period (2016: nil).

9. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Machineries HK\$'000 | Furniture and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|-------------------------------------|------------------------------------|-------------------------|-------------------------------------|----------------------------|-------------------|
| Cost | | | | | |
| As at 1 April 2016 (Audited) | 924 | 50,621 | 1,315 | 6,565 | 59,425 |
| Additions | 514 | 7,950 | 141 | 3,361 | 11,966 |
| Disposals | – | (3,797) | – | (2,550) | (6,347) |
| As at 31 March 2017 (Audited) | 1,438 | 54,774 | 1,456 | 7,376 | 65,044 |
| Disposals | – | (1,791) | – | (248) | (2,039) |
| As at 30 September 2017 (Unaudited) | 1,438 | 52,983 | 1,456 | 7,128 | 63,005 |
| Accumulated depreciation | | | | | |
| As at 1 April 2016 (Audited) | 506 | 18,720 | 315 | 2,969 | 22,510 |
| Provided for the year | 149 | 10,611 | 273 | 2,245 | 13,278 |
| Written back on disposals | – | (2,309) | – | (2,094) | (4,403) |
| As at 31 March 2017 (Audited) | 655 | 27,022 | 588 | 3,120 | 31,385 |
| Provided for the period | 115 | 5,354 | 145 | 941 | 6,555 |
| Written back on disposals | – | (657) | – | (248) | (905) |
| As at 30 September 2017 (Unaudited) | 770 | 31,719 | 733 | 3,813 | 37,035 |
| Net book value | | | | | |
| As at 30 September 2017 (Unaudited) | 668 | 21,264 | 723 | 3,315 | 25,970 |
| As at 31 March 2017 (Audited) | 783 | 27,752 | 868 | 4,256 | 33,659 |

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 13).

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|----------------|---|--|
| Machineries | 11,728 | 16,416 |
| Motor vehicles | 3,219 | 4,133 |
| | 14,947 | 20,549 |

10. TRADE AND OTHER RECEIVABLES

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|--------------------------|---|--|
| Trade receivables | 29,346 | 16,324 |
| Retention receivables | 10,127 | 8,535 |
| Other receivables | 10,202 | 3,593 |
| Prepayments and deposits | 1,992 | 1,443 |
| | 51,667 | 29,895 |

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

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|---|---|--|
| Less than 1 month | 7,472 | 7,565 |
| 1 to 3 months | 19,268 | 4,997 |
| More than 3 months but less than one year | 2,606 | 3,762 |
| | 29,346 | 16,324 |

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.

11. TRADE AND OTHER PAYABLES

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|-----------------------------|--|--|
| Trade payables | 30,656 | 31,455 |
| Other payables and accruals | 2,055 | 3,284 |
| | 32,711 | 34,739 |

The following sets out the ageing analysis of trade payables presented based on the invoice dates:

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|---|--|--|
| Less than 1 month | 13,137 | 7,263 |
| 1 to 3 months | 12,333 | 14,563 |
| More than 3 months but less than one year | 4,901 | 9,421 |
| More than one year | 285 | 208 |
| | 30,656 | 31,455 |

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

12. AMOUNTS DUE TO AND LOANS FROM DIRECTORS

An analysis of the amounts due to and loans from directors are as follows:

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|--------------------------------------|--|--|
| Amounts due to directors | | |
| Mr. Zhang Weijie (<i>Note (a)</i>) | 4,500 | – |
| Mr. Wong Chin To (<i>Note (a)</i>) | 742 | 666 |
| Mr. Tse Chun Kit (<i>Note (a)</i>) | – | 590 |
| | 5,242 | 1,256 |
| Loans from directors | | |
| Mr. Wong Chin To (<i>Note (b)</i>) | 13,119 | 4,574 |
| Mr. Tse Chun Kit (<i>Note (b)</i>) | – | 4,574 |
| | 13,119 | 9,148 |

Notes:

- The amounts due to directors are unsecured, interest free and repayable on demand.
- The amounts are unsecured, carries at a fixed interest rate of 5% per annum and are repayable in 2021 and 2022 respectively. Mr. Tse Chun Kit resigned as an executive director of the Company on 19 May 2017, but still is a director of a subsidiary. The amount of loans from Mr. Tse Chun Kit for the Relevant Period is reallocated to borrowings.

13. FINANCE LEASES

The Group leases a number of its machines 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:

| | Minimum lease payments HK\$'000 | Interest HK\$'000 | Present value HK\$'000 |
|--|--|----------------------|------------------------------|
| As at 30 September 2017 (Unaudited) | | | |
| Not later than one year | 6,341 | 399 | 5,942 |
| Later than one year and not later than two years | 4,367 | 118 | 4,249 |
| Later than two years and not later than five years | 638 | 14 | 624 |
| | 11,346 | 531 | 10,815 |
| As at 31 March 2017 (Audited) | | | |
| Not later than one year | 6,870 | 569 | 6,301 |
| Later than one year and not later than two years | 5,906 | 250 | 5,656 |
| Later than two years and not later than five years | 2,271 | 44 | 2,227 |
| | 15,047 | 863 | 14,184 |

14. BORROWING, UNSECURED

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|----------------------|--|--|
| Borrowing, unsecured | 11,619 | – |

The amount is due to Mr. Tse Chun Kit, a prior director of the Company, grants loans to a subsidiary of the Company, which is unsecured, carries at a fixed interest rate of 5% per annum and are repayable in 2021 and 2022 respectively.

15. SHARE CAPITAL

| | Number | Amount HK\$'000 |
|--|---------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each At 1 April 2016, 31 March 2017 (Audited) and 30 September 2017 (Unaudited) | 1,000,000,000 | 10,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each At 1 April 2016, 31 March 2017 (Audited) and 30 September 2017 (Unaudited) | 800,000,000 | 8,000 |

16. RELATED PARTY TRANSACTION

The Group entered into the following significant related party transaction during the Relevant Period:

| Name of related party | Nature of transaction | Six months ended 30 September | |
|--------------------------------|--------------------------------------|----------------------------------|---------------------------------|
| | | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Oriental Boring & Eng. Ltd (a) | Contract related services charge (b) | – | 5 |

Notes:

- (a) Oriental Boring & Eng. Ltd. is beneficially owned by the parents of Mr. Tse Chun Kit, a prior director of the Company.
- (b) The transaction was conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that the related party transaction was conducted in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged as a foundation subcontractor in Hong Kong. Its customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used. During the Relevant Period, the Group acts a main contractor of Christian Alliance International School project.

During the Relevant Period, the Group recorded a decrease in turnover of approximately HK\$10.1 million or 14.4%. Its gross loss margin was approximately 4.9% as compared to gross profit margin 2.2% for the same period in 2016. The declined gross profit margin was mainly due to the lengthening of the funding approval process in the Legislative Council for the planned public works as a result of the persistent filibustering since 2015 which deteriorates the construction industry in Hong Kong and increases the competition from other contractors seeking to tender projects at low price, and in turn affected the Group's profit margin. The deterioration in economic environment and the increasing labour costs have also posed plenty of challenges to the Group and are expected to continue in the coming year.

In view of the significant decrease in the gross profit margin of the Group for the Relevant Period, while the Group will continue its existing principal business, it will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. The Group may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

FINANCIAL REVIEW

Turnover

The Group's revenue for the Relevant Period was approximately HK\$59.7 million, representing a decrease of approximately HK\$10.1 million or 14.4% as compared to the revenue for the six months ended 30 September 2016. The decrease was mainly due to the persistent filibustering as aforementioned.

Gross Profit and Gross Profit Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$2.9 million (2016: gross profit approximately HK\$1.5 million) and the gross loss margin was approximately 4.9% (2016: gross profit margin 2.2%). The declined gross profit margin mainly due to the increasing competition from other contractors seeking to tender projects at low price.

Other Income

The Group's other income increased by approximately HK\$2.6 million or 499.2% from HK\$0.5 million for the six months ended 30 September 2016 to HK\$3.2 million for the Relevant Period. The increase was mainly due to rental income of machineries received from third parties.

Administrative Expenses

The administrative expenses increased by approximately HK\$0.9 million or 12.5% from HK\$7.0 million for the six months ended 30 September 2016 to HK\$7.9 million for the Relevant Period. The increase was mainly due to legal and professional expenses incurred in relation to the transfer of the Company's shares.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$7.8 million (2016: approximately HK\$4.3 million). The decrease was mainly due to decrease in revenue and gross profit for the Relevant Period.

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 the Listing and up to the date of this report.

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|---------------------|---|--|
| Current assets | 63,623 | 50,032 |
| Current liabilities | 43,895 | 42,296 |
| Current ratio | 1.45 | 1.18 |

The current ratio of the Group as at 30 September 2017 was approximately 1.45 times as compared to that of approximately 1.18 times as at 31 March 2017.

As at 30 September 2017, the Group had total cash and cash equivalents of approximately HK\$11,956,000 (31 March 2017: HK\$19,177,000).

As at 30 September 2017 and 31 March 2017, the Group had loans from directors, borrowings and finance leases in total approximately HK\$35.6 million and HK\$23.3 million respectively. The scheduled repayment date of the Group's were as follows:

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|-----------------------|---|--|
| Within 1 year | 5,942 | 6,301 |
| Between 1 and 2 years | 4,249 | 5,656 |
| Between 2 and 5 years | 25,362 | 11,375 |
| | 35,553 | 23,332 |

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as the total of obligation under finance leases, amounts due to directors and all interest-bearing borrowings less cash and cash equivalents. Capital represents equity of the Group.

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2017 HK\$'000 (Audited) |
|--|---|--|
| Total debt | 40,795 | 24,588 |
| Less: Cash and cash equivalents | (11,956) | (19,177) |
| Net debt | 28,839 | 5,411 |
| Equity attributable to the owners of the Company | 16,362 | 24,174 |
| Gearing ratio | 176.3% | 22.4% |

Interim Dividend

The Board does not recommend the payment of interim dividend for the Relevant Period (2016: Nil).

Contingent Liabilities

As at 30 September 2017, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2017, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2017, the Group did not have any significant capital commitment.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Significant Investments Held by the Group

During the Relevant Period, 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 Risk

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.

Employees and Remuneration Policy

As at 30 September 2017, the Group employed a total of 70 staff. The total employee remuneration, including remuneration of the Directors for the Relevant Period, amounted to approximately HK\$10.7 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 adopted by the Company (the "Share Option Scheme").

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. On 19 September 2016, the Group has resolved to change the proposed use of the net proceeds.

| | Planned amount as stated in the Company's prospectus dated on 28 July 2015 | Actual amount utilised up to 30 September 2017 | Change of use of proceeds up to 30 September 2017 | Actual balance as at 30 September 2017 |
|----------------------------|---|---|--|---|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Acquiring machinery | 18,400 | (10,226) | (4,000) | 4,174 |
| Strengthening our manpower | 4,400 | (4,400) | – | – |
| General working capital | 1,500 | (5,500) | 4,000 | – |
| | 24,300 | (20,126) | – | 4,174 |

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds.

OTHER INFORMATION

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 30 September 2017, 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") (Chapter 571 of the Laws of Hong Kong) 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 positions in ordinary shares of the Company

| Name of Director | Capacity/Nature of interests capital | Number of shares held | Percentage of issued shares (Note 2) |
|---------------------------|--------------------------------------|-----------------------|---|
| Mr. Zhang Weijie (Note 1) | Interest of a controlled corporation | 600,000,000 | 75.0% |

Notes:

- Mr. Zhang Weijie ("Mr. Zhang") beneficially owns the entire issued share capital of Steel Dust Limited ("Steel Dust"). Therefore, Mr. Zhang is deemed, or taken to be, interested in all the shares held by Steel Dust 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.

Long positions in ordinary shares of associate corporation(s) of the Company

| Name of Director | Name of associated corporation | Capacity/Nature of interests capital | Number of shares held | Percentage of issued shares |
|------------------|--------------------------------|--------------------------------------|-----------------------|-----------------------------|
| Mr. Zhang Weijie | Steel Dust Limited | Beneficial owner | 1 | 100% |

Save as disclosed above, as at 30 September 2017, none of the Directors or the Chief Executive or their respective associates had any interests or short position 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 or Rule 23.07 of the GEM Listing Rules.

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

As at 30 September 2017, 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:

Long positions in the ordinary shares of the Company

| Name of shareholders | Capacity/Nature of interests capital | Number of shares held | Percentage of issued shares (Note 3) |
|--|--------------------------------------|-----------------------|---|
| Steel Dust Limited (Note 1) | Beneficial owner | 600,000,000 | 75.0% |
| China Huarong Macau (HK) Investment Holdings Limited (Note 2) | Security interest | 536,000,000 | 67.0% |
| China Huarong (Macau) International Company Limited (Note 2) | Interest of a controlled corporation | 536,000,000 | 67.0% |
| Huarong (HK) Industrial Financial Investment Limited (Note 2) | Interest of a controlled corporation | 536,000,000 | 67.0% |
| Huarong Real Estate Co., Limited (Note 2) | Interest of a controlled corporation | 536,000,000 | 67.0% |
| China Huarong Asset Management Co., Limited (Note 2) | Interest of a controlled corporation | 536,000,000 | 67.0% |
| Ministry of Finance of the People's Republic of China (Note 2) | Interest of a controlled corporation | 536,000,000 | 67.0% |

Notes:

1. Steel Dust had executed a charge over his security account deposited with 536,000,000 shares in the share capital of the Company in favour of China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") as security for a term loan facility granted to him. China Huarong Macau thus has security interest over these shares.
2. China Huarong Macau is wholly-owned by China Huarong (Macau) International Company Limited ("China Huarong International"), which in turn owned by Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") of 51.0% shares, which in turn is wholly-owned by Huarong Real Estate Co., Limited ("Huarong Real Estate"), which in turn is wholly-owned by China Huarong Asset Management Co., Ltd ("China Huarong Asset"), which in turn is owned by Ministry of Finance of the People's Republic of China ("Ministry of Finance") of 65.0% shares. Thus China Huarong Macau, China Huarong International, Huarong (HK) Industrial, Huarong Real Estate, China Huarong Asset and Ministry of Finance are deemed to be interested in the shares of the Company in which China Huarong Macau has security interest.
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 30 September 2017, 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.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 6 July 2015. No share option has been granted under the Share Option Scheme since its adoption.

COMPETING INTERESTS

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

COMPLIANCE ADVISER'S INTERESTS

As at 30 September 2017, neither Shenwan Hongyuan Capital (H.K.) Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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 during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Relevant Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "CG Code").

- Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Following the appointment of Mr. Duan Ximing as the chief executive officer on 31 August 2017, the roles of chairman and chief executive officer are performed by Mr. Zhang Weijie and Mr. Duan Ximing respectively. The Company has complied with the code provision A.2.1 of the CG Code.

- Reference is made to the announcement of the Company dated 19 May 2017 and 15 August 2017 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the appointment of Ms. Li Huanli as the additional independent non-executive Director and a member of the Audit Committee on 15 August 2017, the Company has three independent non-executive Directors and three members of the Audit Committee and thus is in compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report 2017 are set out below:

- Mr. Lui Man Wah did not offer himself for re-election as an executive director at the Annual General Meeting on 11 August 2017.
- Ms. Li Huanli was appointed as an independent non-executive Director with effect from 15 August 2017.
- Mr. Duan Ximing was appointed as an executive Director and a chief executive officer with effect from 31 August 2017
- Mr. Yang Zida was appointed as an independent non-executive Director with effect from 31 August 2017 following the resignation of Mr. Wong Chi Shing on the same date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 6 July 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yang Zida (appointed on 31 August 2017 following the resignation of Mr. Wong Chi Shing on the same date). The other members are Mr. Lau Yik Lok and Ms. Li Huanli (appointed on 15 August 2017). The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the Relevant Period with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board
Pak Wing Group (Holdings) Limited
Zhang Weijie
Chairman

Hong Kong, 10 November 2017

As at the date of this report, the executive Directors are Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Duan Ximing; and the independent non-executive Directors are Mr. Lau Yik Lok, Ms. Li Huanli and Mr. Yang Zida.