ANNUAL REPORT 2018

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 GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

This 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 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.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Weijie *(Chairman)* (appointed on 28 April 2017)
Mr. Wong Chin To
Mr. Duan Ximing *(Chief executive officer)*
(appointed on 31 August 2017)
Mr. Ee Kok Wai, Thomas (resigned on 19 May 2017)
Mr. Lui Man Wah (resigned on 11 August 2017)
Mr. Tse Chun Kit (resigned on 19 May 2017)

Independent Non-executive Directors

Mr. Yang Zida (appointed on 31 August 2017)
Mr. Lau Yik Lok
Ms. Li Huanli (appointed on 15 August 2017)
Mr. Wong Chi Shing (resigned on 31 August 2017)
Mr. Yan Chun Fu (resigned on 19 May 2017)

AUDIT COMMITTEE

Mr.Yang Zida *(Chairman)* (appointed on 31 August 2017)
Mr. Lau Yik Lok
Ms. Li Huanli (appointed on 15 August 2017)
Mr. Wong Chi Shing (resigned on 31 August 2017)
Mr. Yan Chun Fu (resigned on 19 May 2017)

REMUNERATION COMMITTEE

Mr. Lau Yik Lok *(Chairman)*
Mr. Wong Chin To
Mr. Yang Zida (appointed on 31 August 2017)
Ms. Li Huanli (appointed on 15 August 2017)
Mr. Wong Chi Shing (resigned on 31 August 2017)
Mr. Yan Chun Fu (resigned on 19 May 2017)

NOMINATION COMMITTEE

Mr. Wong Chin To *(Chairman)*
Ms. Li Huanli (appointed on 15 August 2017)
Mr. Lau Yik Lok
Mr. Wong Chi Shing (resigned on 31 August 2017)
Mr. Yan Chun Fu (resigned on 19 May 2017)

AUTHORISED REPRESENTATIVES

Mr. Wong Chin To
Ms. Li On Lok

AUDITORS

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

LEGAL ADVISERS

As to Hong Kong Laws:
Michael Li & Co.
19th Floor, Prosperity Tower,
39 Queen's Road Central,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera 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

COMPLIANCE ADVISER

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

COMPLIANCE OFFICER

Mr. Wong Chin To

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

25/F
Progress Commercial Building
9 Irving Street
Causeway Bay
Hong Kong

PRINCIPAL BANKS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
G/F, 22 Caine Road, Central, Hong Kong

GEM STOCK CODE

8316

COMPANY WEBSITE

www.pakwingc.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of Directors of the Company, I am delighted to present the annual report of the Group for the year ended 31 March 2018 (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"). The successful Listing on GEM greatly has greatly enhanced the Group's profile in the industry and also provided a readily accessible capital platform for the Group to tender the projects with larger contract sum in the future. During the Year, the Group tendered three projects with a total contract sum of approximately HK$101.9 million which are expected to be completed in year 2018 and 2019.

However, during the Year, the Group recorded a decrease in turnover of approximately HK$11.9 million or 8.6% to HK$125.4 million compared with the year ended 31 March 2017. Its gross loss margin was approximately 6.1% as compared to gross loss margin 9.8% for the same period in 2017. The decline in revenue and gross loss margin occurred due to the deterioration of the overall economic environment and certain unforeseeable factors such as low bidding price on the tenders and shortage of manpower, which might in turn affect the growth of the Group.

PROSPECT

In view of the gross loss margin occurred of the Group during the Year, 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 acquisitions, 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.

APPRECIATION

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

Pak Wing Group (Holdings) Limited
Zhang Weijie
Chairman and Executive Director

Hong Kong, 22 June 2018

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the foundation works business as a contractor 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 Year, the Group acts a main contractor of Christian Alliance International School project.

During the Year, the Group recorded a decrease in turnover of approximately HK$11.9 million or 8.6%. Its gross loss margin was approximately 6.1% as compared to gross loss margin 9.8% for the same period in 2017. In the 2017-2018 Budget Speech, Government announced that it will spend HK$89.1 billion on the public infrastructure. However, 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 and shortage of manpower deteriorate the construction industry in Hong Kong and increase the competition from other contractors seeking to tender projects at low price, which in turn affects 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.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the Year was approximately HK$125.4 million, representing a decrease of approximately HK$11.9 million or 8.6% as compared to the revenue for the year ended 31 March 2017. The decrease was mainly due to the persistent filibustering and low bidding price on the tenders from other competitors as aforementioned.

GROSS LOSS AND GROSS LOSS MARGIN

For the Year, the Group recorded a gross loss of approximately HK$7.7 million (2017: gross loss of approximately HK$13.5 million) and the gross loss margin was approximately 6.1% (2017: gross loss margin of 9.8%). The improved gross profit margin was a result of an increase in gross profit margin of the two larger tendered foundation construction works projects of the Group during the Year.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by approximately HK$1.1 million or 5.9% from approximately HK$18.0 million for the year ended 31 March 2017 to approximately HK$19.1 million for the Year. The increase was mainly due to the impairment loss on retention receivables and trade receivables by approximately HK$3.1 million and a decrease in directors' remuneration.

FINANCE COSTS

Finance costs increased by approximately HK$0.5 million or 47.9% from approximately HK$1.0 million for the year ended 31 March 2017 to approximately HK$1.5 million for the Year. The increase was mainly due to an increase in interest on loans from directors.

LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss and total comprehensive income for the Year was approximately HK$24.9 million (2017: approximately HK$28.9 million). Such decrease was mainly due to the gross profit improved for the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company'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.

	2018	2017
	HK$'000	HK$'000
Current assets	**54,400**	50,032
Current liabilities	**32,195**	42,296
Current ratio	**1.69**	1.18

The current ratio of the Group as at 31 March 2018 was approximately 1.69 times as compared to that of approximately 1.18 as at 31 March 2017.

As at 31 March 2018, the Group had total cash and cash equivalents of approximately HK$11.1 million (2017: approximately HK$19.2 million).

As at 31 March 2018 and 31 March 2017, the Group had other payables, loans from directors and finance leases in total of approximately HK$38.6 million and HK$23.3 million respectively. The scheduled repayment date of the Group were as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**3,946**	6,301
Between 1 and 2 years	**1,149**	5,656
Between 2 and 5 years	**33,539**	11,375
	38,634	23,332

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as the total of obligations under finance leases, amounts due to a director and loans from directors and less cash and cash equivalents. Capital represents equity of the Group.

	2018 **HK$'000**	2017 HK$'000
Total debt	**39,662**	24,588
Less: cash and cash equivalents	**(11,110)**	(19,177)
Net debt	**28,552**	5,411
Equity attributable to the owners of the Company	**1,394**	24,174
Gearing ratio	**2,048.2%**	22.4%

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2017: nil).

CONTINGENT LIABILITIES

Save for a litigation involved, the Group did not have any significant contingent liabilities as at 31 March 2018.

PLEDGE OF ASSETS

As at 31 March 2018, the Group had no assets pledged for bank borrowings or for other purpose.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any significant capital 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 as at 31 March 2018.

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 82.0% of which was derived from five major customers as at 31 March 2018 (2017: approximately 84.8%). 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 non-performance 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group employed a total of 62 staff. The total employee remuneration, including remuneration of the Directors, for the Year amounted to approximately HK$26.2 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.

LITIGATION

At the end of the reporting period, there was a labour claim arising from the ordinary course of business of the Group being lodged against the Group. In about March 2018, an employee of Pak Wing Construction Company Limited, a subsidiary of the Group ("Pak Wing Construction") sued Pak Wing Construction to the High Court in respect of a claim for personal injury sustained by him in an accident happened on 18 March 2016 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceedings.

In the opinion of the Directors, the possibility of any outflow of resources in settling this claim was remote and/or the Group has sufficient insurance coverage to cover the loss, if any, arising from this claim and therefore the ultimate liability under this claim would not have a material adverse impact on the financial position or results of the Group.

USE OF PROCEEDS FROM PLACING

On 10 August 2015, the shares of the Company have been successfully listed on GEM of the Stock Exchange by way of placing (the "Placing"). The net proceeds from the Placing 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 resolved to change the proposed use of the net proceeds from the Listing, details of which are set out in the announcement of the Company dated 19 September 2016.

	Planned amount as stated in the Company's prospectus dated on 28 July 2015	Actual amount utilised up to 31 March 2018	Change of use of proceeds up to 31 March 2018	Actual balance as at 31 March 2018
	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.

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) Acquiring machinery 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.

(vi) As the Group from time to time engages subcontractors, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the Group's subcontractors.

(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	(i) Dust suppression by use of water (ii) Installation of dust screens as required (iii) Use of low-dust techniques and equipment as required
Noise control	(i) Installation of acoustic barriers as required (ii) Inspection and maintenance of all equipment before use for compliance of permitted noise level (iii) Works to be undertaken in accordance with the permitted work hours as specified by our customers
Waste disposal	(i) Waste to be segregated into general wastes and construction wastes before transporting to landfills
Waste water disposal	(i) Use of sedimentation tanks to reduce the suspended solids in the waste water to be discharged (ii) After the sedimentation process to the waste water, pumping into the filtration plant before discharging into approved discharge points

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

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			
	2018		2017	
	Revenue HK$'000	**% of total revenue**	Revenue HK$'000	% of total revenue
Private sector	**43,939**	**35.0%**	93,364	68.0%
Public sector	**81,509**	**65.0%**	43,946	32.0%
	125,448	**100%**	137,310	100%

During the Year, the Group generated revenue from a total of 13 customers, among which, our five largest customers accounted for approximately 96.1% (2017: 87.8%) for the Year of our total revenue, and our largest customer accounted for approximately 56.7% (2017: 37.7%) of our total revenue for the Year. The Group generated approximately 29.7% of our revenue from 4 first-time customers for the Year, and for the year ended 31 March 2017, the Group generated approximately 43.8% of our revenue from 5 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.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest customers.

Suppliers

The Group's suppliers primarily supply 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 orders relevant construction materials and services on a project-by-project basis, and do not enter into any long-term supply agreements with our suppliers. Our largest and five largest suppliers accounted for not exceeding 30% to of our total costs of services for the year ended 31 March 2018 and 2017.

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest suppliers.

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 46.4% and 44.5% of our total costs of services for the year ended 31 March 2018 and 2017 respectively. Our largest subcontractors accounted for approximately 16.1% of our total costs of services for the Year (2017: 24.3%). Our five largest subcontractors accounted for approximately 40.9% of our total costs of services for the Year (2017: 40.2%).

To the best knowledge of the Directors, none of the Directors or any of their respective close associates, or any shareholder had any interest in the Group's five largest subcontractors.

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 reviews and updates 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 endeavored to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continual basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Directors consider that the Group has maintained good relationship with its employees. The Group does not experience any labour disputes (except a litigation involved as mentioned above) 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.

EXECUTIVE DIRECTORS

Mr. ZHANG Weijie (**張偉傑**), aged 28, is the Chairman of the Board, an executive Director and a controlling shareholder of our group. He obtained a Master's Degree in human resource management from Rutgers, The State University of New Jersey in 2014. He joined the Group in April 2017 and before he joined the Group, he has more than three years of experience in financial and investment management industries. He was the deputy general manager of 浙江鑫厚投資管理有限公司 from 2014 to 2015 responsible for the management of the product design team and the sales team. Since 2015, Mr. Zhang has been the sole beneficial owner and the legal representative of 鼎杰控股集團有限公司 (in English, for identification purpose only, Ding Jie Holdings Group Company Limited) (formerly Known as 天津鼎杰資產管理有限公司 (in English, for identification purpose only, Tianjin Ding Jie Asset Management Company Limited)), which is principally engaged in investment management business with investment in various industries including asset management, insurance agency and corporate consultancy.

Mr. WONG Chin To (**黃展韜**), aged 39, an executive Director 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 20 years of experience in the foundation industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers 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.

On 19 May 2017, Mr. Wong has resigned as the Chairman of the Board.

Mr. DUAN Ximing (**段希明**), aged 35, was appointed as an executive Director and chief executive officer on 31 August 2017. He obtained a bachelor's degree of business administration from Northeast Electric Power University in the People's Republic of China (the "PRC") in July 2006 and a master's degree of economics from Southwest University of Finance and Economics in the PRC in March 2010. Mr. Duan had been working as an investment manager of 華福證券有限責任公司 (in English, for identification purpose only, Quanzhou branch of Huafu Securities Limited) ("Huafu") from March 2010 to May 2012. Mr. Duan later served as an equity group manager at the investment management headquarters and the responsible officer at the business department of Huafu from May 2012 to April 2017. He is currently the general manager of 北京金隅民生保險代理有限公司 (in English, for identification purpose only, Beijing Jinyu Minsheng Insurance Agency Company Limited) and 北京朗志資產管理有限公司 (in English, for identification purpose only, Legend Asset Management Co., Ltd).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YANG Zida (**楊子達**), aged 39, was appointed as an independent non-executive Director on 31 August 2017. Mr. Yang is serving on the Audit Committee and the Remuneration Committee. Mr. Yang is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company.

Mr. Yang obtained a bachelor's degree of accounting from Nankai University in the PRC in June 2001. Mr. Yang is a certified internal auditor of the Institute of Internal Auditors, a certified information systems auditor, a member of the Chinese Institute of Certified Public Accountants, and a member of the Association of Chartered Certified Accountant. He is currently the partner of 瑞華會計師事務所 (Ruihua Certified Public Accountants) ("Ruihua") in the PRC. Mr. Yang has extensive experience in accounting and management and has worked in Deloitte Touche Tohmatsu prior to joining Ruihua.

Mr. LAU Yik Lok (**劉亦樂**), aged 55, was appointed as an independent non-executive Director on 20 January 2017. Mr. Lau is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

He has been a managing director of Excellent Network Limited since year 2015 which provides professional advisory in different project planning to several Hong Kong listed companies and state owned enterprises in China. From year 2003 to 2009, he worked as a group consultant in JB Group to cope with project investments and financial planning of the JB Group. From year 1983 to 2003, he worked as an account manager in various major banks in Hong Kong, such as Standard Chartered Bank, DBS Bank (HK) Ltd and Asia Commercial Bank.

Ms. LI Huanli (**李歡麗**), aged 36, was appointed as an independent non-executive Director on 15 August 2017. Ms. Li is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Li obtained a Bachelor's degree of Economics from Guangdong Business College (廣東商學院 now known as Guangdong University of Finance & Economics) in June 2004 and subsequently obtained a Master of Science degree from Cardiff University in the UK in May 2006. Thereafter Ms. Li has been teaching in Guangdong University of Finance since July 2006. On 14 March 2014, Ms. Li was recognized as an Assistant Professor in Finance (金融學副教授) by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳). Ms. Li was awarded the prize of a South Guangdong outstanding teacher (南粵優秀教師) issued by the Department of Education of Guangdong Province (廣東省教育廳) in September 2015.

SENIOR MANAGEMENT

Mr. LAU Hon Ming, Hobby (**劉漢明**), aged 50, is the general manager of the Group. He joined the Group on 7 December 2016 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for our business.

Mr. Lau obtained a diploma in Occupational Health and Safety from The Open University of Hong Kong in 2004 and a higher diploma in Building Technology and Management from Hong Kong Polytechnic in 1990.

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

Year	Employer	Last Position
10/2016-12/2016	Shun Shing Constrators Limited	Project manager
1994-10/2016	Paul Y. Management Limited	Project manager
1990-1994	Paul Y. – ITC Construction Limited	Project coordinator

The executive Directors are also the members of senior management of the Group.

COMPANY SECRETARY

Ms. LI On Lok, joined the Group as the 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 12 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.

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 "CG Code") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. Save as disclosed in the sections headed "Board of Directors" and "Chairman and Chief Executive Officer" in this corporate governance report, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the CG code.

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 Year.

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprised six Directors, including three executive Directors, namely Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Duan Ximing, and three independent non-executive Directors, namely Mr. Yang Zida, Mr. Lau Yik Lok and Ms. Li Huanli.

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 to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors. 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). 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, 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").

The biographical details of the Directors and other senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16 of this annual report. Save as disclosed in the section headed "Biographical Details of 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 up to the date of this annual report is set out as follows:

Executive Directors

Mr. Zhang Weijie *(Chairman)*	(appointed on 28 April 2017)
Mr. Wong Chin To	
Mr. Tse Chun Kit	(resigned on 19 May 2017)
Mr. Duan Ximing	(appointed on 31 August 2017)
Mr. Lui Man Wah	(resigned on 11 August 2017)
Mr. Ee Kok Wai, Thomas	(resigned on 19 May 2017)

Independent non-executive Directors

Mr. Wong Chi Shing	(resigned on 31 August 2017)
Mr. Yang Zida	(appointed on 31 August 2017)
Ms. Li Huanli	(appointed on 15 August 2017)
Mr. Yan Chun Fu	(resigned on 19 May 2017)
Mr. Lau Yik Lok	(appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)

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 resignation of Mr. Yan Chun Fu as an independent non-executive Director on 19 May 2017, the Board had only two independent non-executive Directors, the number of which fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of insufficient number of independent non-executive Directors, the Company had also failed to comply with the minimum number of committee members requirements regarding its Audit Committee under Rules 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.

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.

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 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 (the "Articles") and the applicable GEM Listing Rules.

According to Article 108 of our Articles, 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. According to Article 112, 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. Zhang Weijie, Mr. Wong Chin To, Mr. Duan Ximing, Mr. Yang Zida, Mr. Lau Yik Lok and Ms. Li Huanli will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 16 August 2018 pursuant to the Articles. Mr. Zhang Weijie, Mr. Wong Chin To, Mr. Duan Ximing, Mr. Yang Zida, Mr. Lau Yik Lok and Ms. Li Huanli 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 re-election of Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Duan Ximing as executive Directors, Mr. Yang Zida, Mr. Lau Yik Lok and Ms. Li Huanli as independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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. During the period from 19 May 2017 to 31 August 2017, the Company did not appoint any chief executive officer and the daily operations and management of the Group were monitored by the executive Directors. 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. Since then, the Company has complied with the code provision A.2.1 of the CG Code.

TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. Up to the date of this report, all Directors have participated in continuous professional development by reading in-house training handbook, relevant materials or attending training seminar on the topics related to corporate governance.

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

Ms. Li On Lok, the company secretary of the Company, complied with the relevant professional training under Rule 5.15 of the GEM Listing Rules for the Year.

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 includes, amongst others, 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. Yang Zida, our independent non-executive Director, and other members include Mr. Lau Yik Lok and Ms. Li Huanli, 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 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) and 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 members of the Audit Committee and thus is in compliance with Rule 5.28 of the GEM Listing Rules.

The Audit Committee has held 4 meetings during the Year, the attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Wong Chi Shing *(Chairman)* (resigned on 31 August 2017)	2/2
Mr. Yang Zida *(Chairman)* (appointed on 31 August 2017)	2/2
Ms. Li Huanli (appointed on 15 August 2017)	2/2
Mr. Yan Chun Fu (resigned on 19 May 2017)	N/A
Mr. Lau Yik Lok (appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)	3/4

N/A represents not applicable

The Group's consolidated financial statements for the year ended 31 March 2018 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 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 6 July 2015. The chairman of the Remuneration Committee is Mr. Lau Yik Lok, our independent non-executive Director, and other members include Mr. Yang Zida and Ms. Li Huanli, our independent non-executive Directors, and Mr. Wong Chin To, our 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.

One meeting of the Remuneration Committee had been held during the Year, and the attendance of the members of the Remuneration Committee are summarized below:

	Number of attendance/ number of meetings
Mr. Lau Yik Lok *(Chairman)* (appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)	1/1
Mr. Wong Chin To	1/1
Mr. Yang Zida (appointed on 31 August 2017)	N/A
Mr. Wong Chi Shing (resigned on 31 August 2017)	1/1
Ms. Li Huanli (appointed on 15 August 2017)	N/A
Mr. Yan Chun Fu (resigned on 19 May 2017)	N/A

N/A represents not applicable

Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairman of the Nomination Committee is Mr. Wong Chin To, our executive Director, and other members include Ms. Li Huanli, and Mr. Lau Yik Lok, 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.

One meeting of the Nomination Committee had been held during the Year, and the attendance of the members of the Nomination Committee are summarized below:

	Number of attendance/ number of meetings
Mr. Wong Chin To *(Chairman)*	1/1
Mr. Wong Chi Shing (resigned on 31 August 2017)	1/1
Ms. Li Huanli (appointed on 15 August 2017)	N/A
Mr. Lau Yik Lok (appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)	1/1
Mr. Yan Chun Fu (resigned on 19 May 2017)	N/A

N/A represents not applicable

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the year, six Board meetings were held. Details of the attendance of each Director at the Board meetings and annual general meeting of the Company held on 11 August 2017 ("2017 AGM") are set out below:

Name of Directors	Number of attendance Number of Board meetings	2017 AGM
Executive Directors		
Mr. Zhang Weijie (appointed on 28 April 2017)	4/4	√
Mr. Wong Chin To	6/6	√
Mr. Tse Chun Kit (resigned on 19 May 2017)	2/2	N/A
Mr. Duan Ximing (appointed on 31 August 2017)	1/2	N/A
Mr. Lui Man Wah (resigned on 11 August 2017)	3/3	N/A
Mr. Ee Kok Wai, Thomas (resigned on 19 May 2017)	2/2	N/A
Independent non-executive Directors		
Mr. Wong Chi Shing (resigned on 31 August 2017)	4/4	√
Mr. Yang Zida (appointed on 31 August 2017)	2/2	N/A
Ms. Li Huanli (appointed on 15 August 2017)	2/2	N/A
Mr. Yan Chun Fu (resigned on 19 May 2017)	2/2	N/A
Mr. Lau Yik Lok (appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)	5/6	√

Remarks:

√ represents attendance N/A represents not applicable

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:

	Fees paid/payable for the services rendered HK$'000
Statutory audit services	580
Non-audit services	131

The non-audit services mainly consisted of the reporting on the agreed-upon-procedures in relation to the circular.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems ("Systems") and reviewing their effectiveness annually. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective Systems.

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources etc. The main features are as follows:

Control structure

A. The Board

(i) ensure the maintenance of appropriate and effective Systems in order to safeguard the Shareholders' investment and assets of the Company;

(ii) define management structure with clear lines of responsibility and limit of authority; and

(iii) determine the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulate the Company's risk management strategies.

B. Audit Committee

(i) assist the Board in leading the Management and overseeing their design, implementation and monitoring of the Systems of the Company;

(ii) review and discuss with the Management annually to ensure that the Management has performed its duty to have effective Systems; and

(iii) consider major findings on internal control matters and make recommendations to the Board.

C. The Management

(i) design, implement and monitor the Systems properly and ensure the Systems are executed effectively;

(ii) monitor risks and take measures to mitigate risks in day-to-day operations;

(iii) give prompt responses to, and follow up the findings on internal control matters; and

(iv) provide confirmation to the Board on the effectiveness of the Systems.

D. Internal Audit Function

(i) carry out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

Control approach

The risk management process includes risk identification, risk evaluation and risk management measures and also reviewing the effectiveness of the Systems and resolving material internal control defects.

The Management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system, identifying and evaluating findings of any deficiencies in the design of the Company's internal control system, providing recommendations for improvement and following up on the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control are reported to and reviewed by the Audit Committee during the Year.

Procedure manuals and operational guidelines are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

During the Year under review, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("**Baker Tilly**") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Inside Information

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, procedures for handling and dissemination of inside information. Under the procedures, heads of business units shall report to the Directors any potential inside information event as soon as practicable when it materializes for determining the nature of developments, and if required, making disclosure.

Annual Review

During the Year, the Audit Committee has conducted an annual review of the risk management and internal control systems. The results of the review were reported by the Audit Committee to the Board, based on which the Directors concluded that, for the year ended 31 March 2018, the risk management and internal control systems were effective and adequate and the Group has complied with the provisions in the CG Code regarding risk management and internal control.

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 of association and the Articles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the date of this Annual Report in compliance with the Appendix 20 of the GEM Listing Rules.

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. 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 financial position, financial performance 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 39 to 43 of this report.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 27 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 Schedule 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 relationships with customers, suppliers, 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 13 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 financial position of the Group at that date are set out in the consolidated financial statements on pages 44 to 97.

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 five financial years, as extracted from the audited consolidated financial statements, is set out on page 98 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 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles 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

The related party transaction disclosed in note 28 to the consolidated financial statements constitute de minimis connected transactions as defined in Chapter 20 of the GEM Listing Rules, which were fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

As at 31 March 2018, 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$8.8 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 then 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 price 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 proceeding 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. Zhang Weijie *(Chairman)*	(appointed on 28 April 2017)
Mr. Wong Chin To	
Mr. Tse Chun Kit	(resigned on 19 May 2017)
Mr. Duan Ximing	(appointed on 31 August 2017)
Mr. Lui Man Wah	(resigned on 11 August 2017)
Mr. Ee Kok Wai, Thomas	(resigned on 19 May 2017)

Independent non-executive Directors

Mr. Wong Chi Shing	(resigned on 31 August 2017)
Mr. Yang Zida	(appointed on 31 August 2017)
Ms. Li Huanli	(appointed on 15 August 2017)
Mr. Yan Chun Fu	(resigned on 19 May 2017)
Mr. Lau Yik Lok	(appointed on 20 January 2017, resigned on 19 May 2017 and reappointed on 19 May 2017)

In accordance with our Articles, 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 a term of three years and each of these service contracts is subject to terminate by not less than three months written notice. Independent non-executive Directors are appointed for a term of three years 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 14 to 16 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 12 to the consolidated financial statements, respectively.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in note 28 to the consolidated financial statements, no Director or controlling shareholders of the Company had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation 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 2018, 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 2018, 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.

PENSION SCHEME ARRANGEMENTS

A Mandatory Provident Fund Scheme (the "MPF Scheme") has been set up for employees of the Group in Hong Kong, in accordance to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and its employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make required contribution under the scheme. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the consolidated statement of comprehensive income represents the contribution payable to the funds by the Group.

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 35 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 2018, 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 (Chapter 571 of the Laws of Hong Kong) (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:

Interest and short position 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 (L)	75.0%
		83,977,158 (S)	10.5%

(L): Long position
(S): Short position

Notes:

1. 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 have an interest or short position in all the shares held by Steel Dust for the purpose of the SFO.

2. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 March 2018.

Long position in ordinary shares of associated corporation(s) of the Company:

Name of Director	Name of associated Corporation	Capacity/Nature of interest	Number of shares held	Percentage of issued shares
Mr. Zhang Weijie	Steel Dust Limited	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 2018, 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 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 31 March 2018, 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 shareholder	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 (L) 83,977,158 (S)	75.0% 10.5%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") *(Note 1 and Note 2)*	Security interest	536,000,000 (L)	67.0%
China Huarong (Macau) International Company Limited ("China Huarong International") *(Note 2)*	Interest of a controlled corporation	536,000,000 (L)	67.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") *(Note 2)*	Interest of a controlled corporation	536,000,000 (L)	67.0%
Huarong Real Estate Co., Limited (Huarong Real Estate") *(Note 2)*	Interest of a controlled corporation	536,000,000 (L)	67.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") *(Note 2)*	Interest of a controlled corporation	536,000,000 (L)	67.0%
Ministry of Finance of the People's Republic of China ("Ministry of Finance") *(Note 2)*	Interest of a controlled corporation	536,000,000 (L)	67.0%

(L): Long position
(S): Short position

Notes:

1. Steel Dust had executed a charge over its security account deposited with 536,000,000 shares in the share capital of the Company in favour of 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 International. China Huarong International is owned as to 51% by Huarong (HK) Industrial. Huarong (HK) Industrial is wholly-owned by Huarong Real Estate. Huarong Real Estate is wholly-owned by China Huarong Asset, which is owned as to 65% by Ministry of Finance. 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 536,000,000 shares of the Company.

3. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, 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 of the Company 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

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

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 Monday, 13 August 2018 to Thursday, 16 August 2018, 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 and transfer office 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 Friday, 10 August 2018.

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 2018 and up to the date of this report.

DONATIONS

No donations had been made by the Group during the Year (2017: nil).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 28 of this annual report.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 24 February 2017, Get Real Holdings Limited and Dor Holdings Limited (the "Sellers") and Steel Dust Limited entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which the Sellers agreed to sell and Steel Dust agreed to purchase a total of 600,000,000 shares of the Company, representing 75.0% of the entire issued share capital of the Company at that time, for a total consideration of HK$300,000,000 (equivalent to HK$0.50 per sale share). Following the completion of the Sale and Purchase Agreement which took place on 8 March 2017, Steel Dust had become a controlling shareholder of the Company and was required under the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offer to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by the Steel Dust and parties acting in concert with it) at HK$0.50 per offer share (the "Offer"). The Offer was closed on 19 May 2017. Having made all reasonable enquiries and to the best knowledge and belief of the Board, Steel Dust held 674,520,000 shares of the Company immediately after the close of Offer on 19 May 2017. Details of the change of controlling shareholders and the Offer are set out in the announcements dated 6 March 2017, 8 March 2017 and 19 May 2017 and the composite document dated 28 April 2017 jointly issued by the Company and Steel Dust.

SUFFICIENCY OF PUBLIC FLOAT

Following the close of the Offer on 15 May 2017, a total of 125,480,000 shares of the Company, representing 15.685% of the entire issued share capital of the Company, were held by the public (within the meaning under the GEM Listing Rules), which was below the minimum percentage of public float prescribed by the Stock Exchange. The minimum public float of the Company was restored on 13 July 2017 by way of the placing, details of which are disclosed in the announcements of the Company dated 19 May 2017, 25 May 2017 and 13 July 2017. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as at the date of this annual report.

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 2018 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. Zhang Weijie
Chairman and Executive Director

Hong Kong, 22 June 2018

Tel : +852 2218 8288
Fax: +852 2818 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2818 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF PAK WING GROUP (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pak Wing Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 97, which comprise the consolidated statement of financial position as at 31 March 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for construction contracts

As described in the Significant Accounting Policies in Note 4(h) to the consolidated financial statements, the Group recognises revenue and costs associated with its construction contracts based on the stage of completion of contract activity at the end of the reporting period, when the outcome of construction contracts can be estimated reliably. The stage of completion of contracts is established by reference to surveys of contract work performed. When it is probable that total contract costs will exceed total contract revenue for a contract, the expected loss is recognised as an expense immediately.

As presented in the consolidated statement of comprehensive income, the Group's construction contract revenue and costs for the year ended 31 March 2018 amounted to approximately HK$125,448,000 and HK$133,111,000, respectively.

We identified the accounting for construction contracts as a key audit matter as it requires management to exercise significant judgement on the outcome and stage of completion of each construction contract and to estimate the profitability of each on-going construction contract during the reporting period, and the associated financial statement items are quantitatively significant to the consolidated financial statements as a whole.

Our response:

Our principal audit procedures in relation to accounting for construction contracts are as follows:

- Obtaining an understanding of and evaluating internal controls on recognition of contract revenue and costs;
- Discussing with the Group's management about the progress of the construction projects;
- Checking the basis used for estimating the budgeted revenue to underlying construction contracts entered into with the customers and other relevant supporting documents in respect of variations in construction works;
- Evaluating the reasonableness of budgeted costs, including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) for estimation of costs not supported by contracts, checking that the costs are included in accordance with the construction contracts; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;
- Assessing the reasonableness of contract revenue recognised and stage of completion by reference to progress certificates issued by customers and other underlying documents;
- Checking, on a sample basis, the contract costs incurred to underlying supporting documents; and
- Reviewing financial budget prepared by management for each on-going construction contract to assess whether expected loss on contract was properly recognised as an expense immediately.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262

Hong Kong, 22 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7	**125,448**	137,310
Cost of services		**(133,111)**	(150,790)
Gross loss		**(7,663)**	(13,480)
Other income	10	**4,795**	3,884
Administrative expenses		**(19,120)**	(18,048)
Finance costs	11	**(1,544)**	(1,044)
Loss before income tax	8	**(23,532)**	(28,688)
Income tax expense	13	**(1,384)**	(240)
Loss and total comprehensive income for the year attributable to the owners of the Company		**(24,916)**	(28,928)
Loss per share			
– Basic and diluted (HK cents)	15	**(3.11)**	(3.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**16,479**	33,659
Deferred tax assets	23	**303**	–
		16,782	33,659
Current assets			
Amounts due from customers for contract work	17	**–**	960
Trade and other receivables	18	**43,290**	29,895
Cash and cash equivalents	19	**11,110**	19,177
		54,400	50,032
Total assets		**71,182**	83,691
Current liabilities			
Trade and other payables	20	**28,249**	34,739
Amounts due to directors	21	**–**	1,256
Obligations under finance leases	22	**3,946**	6,301
		32,195	42,296
Net current assets		**22,205**	7,736
Total assets less current liabilities		**38,987**	41,395
Non-current liabilities			
Obligations under finance leases	22	**1,417**	7,883
Amount due to a director	21	**1,028**	–
Loans from directors	21	**20,568**	9,148
Other payables	20	**12,703**	–
Deferred tax liabilities	23	**1,877**	190
		37,593	17,221
NET ASSETS		**1,394**	24,174
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**8,000**	8,000
Reserves	26	**(6,606)**	16,174
TOTAL EQUITY		**1,394**	24,174

On behalf of the Board of Directors

Zhang Weijie
Director

Wong Chin To
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital	Share premium* *(Note 26(a))*	Merger reserve* *(Note 26(b))*	Retained earnings/ accumulated losses* *(Note 26(c))*	Capital reserve* *(Note 26(d))*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2016	8,000	82,525	(51,705)	13,300	–	52,120
Loss and total comprehensive income for the year	–	–	–	(28,928)	–	(28,928)
Capital contribution from owners *(Note 21)*	–	–	–	–	982	982
As at 31 March 2017 and 1 April 2017	8,000	82,525	(51,705)	(15,628)	982	24,174
Loss and total comprehensive income for the year	–	–	–	(24,916)	–	(24,916)
Capital contribution from owners *(Note 21)*	–	–	–	–	2,136	2,136
As at 31 March 2018	**8,000**	**82,525**	**(51,705)**	**(40,544)**	**3,118**	**1,394**

* These reserve accounts comprise the consolidated reserves of approximately HK$(6,606,000) in the consolidated statement of financial position as at 31 March 2018 (2017: HK$16,174,000).

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before income tax expense		**(23,532)**	(28,688)
Adjustments for:			
Depreciation of property, plant and equipment		**12,522**	13,278
Finance costs	11	**1,544**	1,044
Recognition of/(reversal of) impairment loss on retention receivables		**320**	(1,076)
Gain on disposal of property, plant and equipment		**(367)**	(996)
Impairment loss on trade receivables		**2,761**	–
Operating loss before working capital changes		**(6,752)**	(16,438)
Decrease/(increase) in amounts due from customers for contract work		**960**	(957)
Decrease in amounts due to customers for contract work		**–**	(2,350)
Increase in trade and other receivables		**(14,876)**	(2,534)
(Decrease)/increase in trade and other payables		**(7,497)**	19,008
Cash used in from operations		**(28,165)**	(3,271)
Income tax refund		**–**	3,627
Net cash (used in)/generated from operating activities		**(28,165)**	356
Cash flows from investing activities			
Purchases of property, plant and equipment		**–**	(5,057)
Proceeds from disposal of property, plant and equipment		**3,425**	2,940
Net cash generated from/(used in) investing activities		**3,425**	(2,117)
Cash flows from financing activities			
Increase in amounts due to directors		**1,131**	1,256
Increase in loans classified as other payables		**7,000**	–
Proceeds from loans from directors	21	**17,900**	10,000
Repayment of bank borrowings		**–**	(2,640)
Repayment of obligations under finance leases		**(8,821)**	(6,726)
Interest paid		**(537)**	(913)
Net cash generated from financing activities		**16,673**	977
Net decrease in cash and cash equivalents		**(8,067)**	(784)
Cash and cash equivalents at beginning of the year		**19,177**	19,961
Cash and cash equivalents at end of the year		**11,110**	19,177

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

In the opinion of the Directors, the immediate holdings company and the ultimate holding company of the Company is Steel Dust Limited, a company incorporated in the British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, Note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 30, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective on 1 April 2017 (Continued)

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(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. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the years of initial application.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

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

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.

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.

The directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivable measured at amortised cost. However, management expect the effect would not be significant.

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 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-step 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.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The director of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

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

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

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, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group operating leases. As at 31 March 2018, the Group had non-cancellable operating lease commitments of approximately HK$4,197,000 as set out in note 22(b) to the consolidated financial statements. The interest expenses on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

The standard will become mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. BASIS OF PRESENTATION AND PREPARATION

(a) 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 "HKFRS") 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 of Securities on the GEM of the Stock Exchange.

(b) Basis of preparation and going concern assumption

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

During the year, the Group has incurred a loss of approximately HK$24,916,000 and at the end of 31 March 2018, the accumulated loss was approximately HK$40,544,000.

The consolidated financial statements have been prepared on a going concern basis as the Company's directors are confident that the Group will be able to meet its financial obligations as and when they fall due within the twelve months from 31 March 2018, on the basis that (a) the Company's director and a former director, who were also the director of Pak Wing Construction Company Limited ("Pak Wing Construction") as at 31 March 2018, have agreed in writing not to demand repayment of the loans due from the Group amounting to HK$25.5 million as at 31 March 2018 until the Group is in a position to meets its other financial obligations and have agreed in writing to provide continual financial support to Pak Wing Construction, the principal operating subsidiary of the Company, to meet its financial obligations as and when they fall due; (b) the controlling shareholder, who was director of the Company as at 31 March 2018, has agreed in writing not to demand repayment of the loans due from the Group amounting to HK$9.4 million as at 31 March 2018 until the Group is in a position to meets its other financial obligations and have agreed in writing to provide continual financial support to the Company, to meet its financial obligations as and when they fall due; and (c) based on the cash flow projections prepared by management which cover a period of twelve months from 31 March 2018, the Group will be able to generate sufficient cash flows to meet its financial obligations as and when they fall due.

(c) 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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; or
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Employee benefits (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 of the principal outstanding at the applicable interest rate.

Rental income from leasing machinery is recognised on a straight-line basis over the period covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Related parties (Continued)

(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.

(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) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 JUDGEMENTS 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.

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

Estimates and assumptions (Continued)

(ii) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of fair value less cost of disposal and the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated. Fair value less costs of disposal is based on management estimates having regard to estimated fair value provided by an independent external valuer, which is a level 3 fair value measurement. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(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) Income taxes

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(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.

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

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:

	2018 **HK$'000**	2017 HK$'000
Customer A	**N/A**	16,383
Customer B	**N/A**	28,427
Customer C	**71,083**	51,775
Customer D	**N/A**	16,046
Customer E	**26,794**	N/A

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

7. REVENUE

The Group's revenue represents amounts 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 BEFORE INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	580	500
Depreciation of property, plant and equipment	12,522	13,278
Operating lease rentals in respect of:		
– Land and buildings	2,976	2,099
– Plant and equipment	2,802	10,912
Recognition of/(reversal of) impairment loss on retention receivables	320	(1,076)
Recognition of impairment loss on trade receivables	2,761	-
Gain on disposal of property, plant and equipment	(367)	(996)
Employee benefit expenses (Note 9)	26,151	33,678

9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2018 HK$'000	2017 HK$'000
Wages, salaries and other benefits	25,388	32,907
Post-employment benefits – defined contribution retirement plan contributions	763	771
	26,151	33,678

10. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Reversal of impairment loss on retention receivables	–	1,076
Gain on disposal of property, plant and equipment	367	996
Income from trading machinery	1,285	-
Rental income from leasing machinery	2,510	1,216
Others	633	596
	4,795	3,884

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on finance leases	537	643
Interest on bank borrowings	–	45
Interest on loan from a former director	385	-
Interest on loans from directors	622	356
	1,544	1,044

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(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
Year ended 31 March 2018				
Executive directors:				
Mr. Wong Chin To	–	2,280	18	2,298
Mr. Zhang Weijie (Note (a))	–	642	15	657
Mr. Duan Ximing (Note (b))	–	291	9	300
Mr. Tse Chun Kit (Note (c))	–	231	2	233
Mr. Lui Man Wah (Note (d))	–	131	6	137
Mr. Ee Kok Wai, Thomas (Note (e))	–	48	3	51
	–	3,623	53	3,676
Independent non-executive directors:				
Mr. Lau Yik Lok (Note (f))	–	120	6	126
Mr. Wong Chi Shing (Note (g))	–	78	3	81
Ms. Li Huanli (Note (h))	–	75	4	79
Mr. Yang Zida (Note (i))	–	70	4	74
Mr. Yan Chun Fu (Note (j))	–	16	1	17
	–	359	18	377
Total	–	3,982	71	4,053

12. 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 2017				
Executive directors:				
Mr. Wong Chin To	–	3,331	18	3,349
Mr. Tse Chun Kit (Note (c))	–	3,483	18	3,501
Ms. Chan Siu Ying (Note (k))	–	218	7	225
Mr. Lui Man Wah (Note (d))	–	210	9	219
Mr. Ee Kok Wai, Thomas (Note (e))	–	210	9	219
	–	7,452	61	7,513
Independent non-executive directors:				
Mr. Wong Chi Shing (Note (g))	–	120	6	126
Mr. Kuo Tung Ming (Note (l))	–	96	4	100
Ms. Si Tou Man Wai (Note (m))	–	58	3	61
Mr. Yan Chun Fu (Note (j))	–	61	3	64
Mr. Lau Yik Lok (Note (f))	–	24	1	25
	–	359	17	376
Total	–	7,811	78	7,889

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

(i) Directors' remuneration (Continued)

Notes:

(a) Mr. Zhang Weijie was appointed as executive director on 28 April 2017.

(b) Mr. Duan Ximing was appointed as executive director on 31 August 2017.

(c) Mr. Tse Chun Kit resigned as executive director on 19 May 2017.

(d) Mr. Lui Man Wah was appointed as executive director on 1 September 2016 and resigned from his position on 11 August 2017.

(e) Mr. Ee Kok Wai, Thomas was appointed as executive director on 1 September 2016, and resigned from his position on 19 May 2017.

(f) Mr. Lau Yik Lok appointed as independent non-executive director on 19 May 2017.

(g) Mr. Wong Chi Shing resigned as independent non-executive director on 31 August 2017.

(h) Ms. Li Huanli appointed as independent non-executive director on 15 August 2017.

(i) Mr. Yang Zida appointed as independent non-executive director on 31 August 2017.

(j) Mr. Yan Chun Fu was appointed as independent non-executive director on 26 September 2016 and resigned from his position on 19 May 2017.

(k) Ms. Chan Siu Ying resigned as executive director on 1 September 2016.

(l) Mr. Kuo Tung Ming resigned as independent non-executive director on 20 January 2017.

(m) Ms. Si Tou Man Wai resigned as independent non-executive director on 26 September 2016.

12. 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 2018 (2017: 2), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	2,331	5,158
Pension scheme contributions – defined contribution plans	53	35
	2,384	5,193

Their remuneration fell within the following bands:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$ 2,000,000	1	-
HK$3,000,001 to HK$ 4,000,000	–	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	
	2018	2017
Nil to HK$1,000,000	1	1

13. INCOME TAX EXPENSE

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

	2018 **HK$'000**	2017 HK$'000
Current tax		
Hong Kong profits tax		
– charge for the year	**–**	–
Deferred tax *(Note 23)*	**(1,384)**	(240)
Income tax expense	**(1,384)**	(240)

No provision for Hong Kong profits tax has been made for the current and prior years 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 year or have tax losses brought forward to set off with the assessable profit for the year.

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

	2018 **HK$'000**	2017 HK$'000
Loss before income tax	**(23,532)**	(28,688)
Tax calculated at the applicable statutory tax rate of 16.5%	**(3,883)**	(4,733)
Tax effect of non-deductible expenses	**3,818**	895
Tax effect on tax losses not recognised	**1,565**	4,235
Tax effect of non-taxable income	**(116)**	(157)
Income tax at the effective tax rate	**1,384**	240

14. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2018 & 2017.

15. LOSS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(24,916)**	(28,928)

	Number of shares '000	Number of shares '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**800,000**	800,000

There were no potential ordinary shares in issue for the years ended 31 March 2018 and 2017. Accordingly, the diluted loss per share presented is the same as basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machineries HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2016	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)
At 31 March 2017 and 1 April 2017	1,438	54,774	1,456	7,376	65,044
Disposals	–	(6,290)	–	(248)	(6,538)
At 31 March 2018	1,438	48,484	1,456	7,128	58,506
Accumulated depreciation					
At 1 April 2016	506	18,720	315	2,969	22,510
Provided for the year	149	10,611	273	2,245	13,278
Eliminated on disposals	–	(2,309)	–	(2,094)	(4,403)
At 31 March 2017 and 1 April 2017	655	27,022	588	3,120	31,385
Provided for the year	231	10,175	289	1,827	12,522
Eliminated on disposals	–	(1,632)	–	(248)	(1,880)
At 31 March 2018	886	35,565	877	4,699	42,027
Net book value					
At 31 March 2018	552	12,919	579	2,429	16,479
At 31 March 2017	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 22).

	2018 HK$'000	2017 HK$'000
Machineries	**7,591**	16,416
Motor vehicles	**2,361**	4,133
	9,952	20,549

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

	2018 HK$'000	2017 HK$'000
Contracts in progress:		
Contract costs incurred	**107,836**	49,603
Recognised profits less recognised losses	**8,765**	4,528
	116,601	54,131
Less: progress billings	**(116,601)**	(53,171)
	–	960
Represented by:		
Amounts due from customers for contract work	**–**	960
	–	960

As at 31 March 2018, retentions held by customers for contract work included in trade and other receivables (Note 18) amounted to approximately HK$11,972,000 (2017: HK$8,535,000).

18. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables *(Note (a))*	**18,137**	16,324
Retention receivables *(Note (b))*	**11,972**	8,535
Other receivables *(Note (c))*	**11,097**	3,593
Prepayments and deposits *(Note (c))*	**2,084**	1,443
	43,290	29,895

(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.

The Group grants an average credit period of 30 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:

	2018 HK$'000	2017 HK$'000
Less than 1 month	**9,798**	7,565
1 to 3 months	**5,431**	4,997
More than 3 months but less than one year	**2,908**	3,762
	18,137	16,324

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

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**9,798**	7,565
Less than 1 month past due	**3,980**	4,791
1 to 3 months past due	**2,863**	615
More than 3 months past due but less than 12 months past due	**1,496**	3,353
	18,137	16,324

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.

18. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	HK$'000
As at 1 April 2016	171
Impairment loss recognised	–
As at 1 March 2017 and 1 April 2017	171
Impairment loss recognised	2,761
As at 31 March 2018	2,932

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of approximately HK$2,932,000 (2017: HK$171,000).

(b)

	2018 HK$'000	2017 HK$'000
Retention receivables	**12,292**	8,535
Less: provision for impairment on retention receivables	**(320)**	–
	11,972	8,535

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. Retention receivables were not yet past due as at 31 March 2018 and 2017.

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

	HK$'000
As at 1 April 2016	1,076
Reversal of impairment loss recognised	(1,076)
As at 31 March 2017 and 1 April 2017	–
Provision for impairment loss	320
As at 31 March 2018	320

Included in the above provision for impairment of retention receivables is a full provision for individually impaired trade receivables of approximately HK$320,000 (2017: Nil).

(c) Other receivables, prepayments and deposits as at 31 March 2018 and 2017 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.

19. CASH AND CASH EQUIVALENTS

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

20. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Current:		
Trade payables *(Note (a))*	**26,683**	31,455
Other payables and accruals *(Note (b))*	**1,566**	3,284
	28,249	34,739
Non-current:		
Other payables *(Note (c))*	**12,703**	–

Notes:

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

	2018 HK$'000	2017 HK$'000
Current or less than 1 month	**2,259**	7,263
1 to 3 months	**16,337**	14,563
More than 3 months but less than one year	**4,683**	9,421
More than one year	**3,404**	208
	26,683	31,455

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 45 days.

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

(c) The balance comprises loans granted, and cash advance received, from Mr. Tse Chun Kit, who resigned as a director of the Company during the year on 19 May 2017 and remained as a director of Pak Wing Construction. The loans with principal of approximately HK$11,574,000 are unsecured, carry fixed interest rates at a range of 3% to 5% per annum, and are repayable in 2021 to 2022. The remaining balance of approximately HK$1,129,000 represents accrued loan interest and other cash advances to Pak Wing Construction, a wholly owned subsidiary of the Company, as at 31 March 2018, and the cash advances are unsecured, interest free and repayable on demand.

21. AMOUNTS DUE TO AND LOANS FROM DIRECTORS

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

	2018 **HK$'000**	2017 HK$'000
Amounts due to a directors		
Current:		
Mr. Wong Chin To *(Note (a))*	**–**	666
Mr. Tse Chun Kit *(Note (d))*	**–**	590
	–	1,256
Non-current:		
Mr. Wong Chin To *(Note (b))*	**1,028**	–
Loans from directors		
Mr. Wong Chin To *(Note (b))*	**13,167**	4,574
Mr. Zhang Weijie *(Note (c))*	**7,401**	–
Mr. Tse Chun Kit *(Note (d))*	**–**	4,574
	20,568	9,148

Notes:

(a) The amounts due to directors are unsecured, interest-free and repayable on demand.

(b) During the year ended 31 March 2017, Mr. Wong Chin To, who together with Mr. Tse Chun Kit, was interested in 75% of the issued share capital of the Company collectively and was an executive director of the Company as at 31 March 2017, granted a loan of HK$5,000,000 to the Group. The amount is unsecured, carries a fixed interest rate of 3% per annum and is repayable in 2021. On initial recognition, the loan was stated at fair value of approximately HK$4,509,000, determined based on the then market interest rate of 5% as estimated by the Company's directors. The difference of approximately HK$491,000 between the loan proceed received and such fair value was accounted for as capital contribution from a shareholder.

During the year ended 31 March 2018, Mr. Wong Chin To, who was an executive director of the Company, granted an additional loan of HK$8,500,000 to the Group. The amount is unsecured, carries a fixed interest rate of 5% per annum and is repayable in 2022.

As at 31 March 2018, Mr. Wong Chin To agreed in writing not to demand repayment of the above loans and other balances due from the Group until the Group is in position to meet its obligation to third parties. Accordingly, these loans and amounts due to him are classified as non-current liabilities as at 31 March 2018.

(c) Mr. Zhang Weijie, being a controlling shareholder and an executive director of the Company as at 31 March 2018, granted two loans of HK$4,500,000 and HK$4,900,000, respectively, to the Group during the year. The amount is unsecured, interest-free and repayable in 2022. On initial recognition, the loans were stated at fair values of approximately HK$3,477,000 and HK$3,786,000, respectively, determined based on the then market interest rate of 5% as estimated by the Company's directors. The differences between the loan proceeds received and their fair values, of approximately HK$1,023,000, HK$1,113,000, respectively, are accounted for as capital contributions from a shareholder.

As at 31 March 2018, Mr. Zhang Weijie agreed in writing not to demand repayment of the loans and other balances due from the Group until the Group is in position to meet its obligation to third parties. Accordingly, these loans and amounts due to him are classified as non-current liabilities as at 31 March 2018.

21. AMOUNTS DUE TO AND LOANS FROM DIRECTORS (Continued)

Notes: (Continued)

(d) During the year ended 31 March 2017, Mr. Tse Chun Kit, who together with Mr. Wong Chin To, was interested in 75% of the issued share capital of the Company collectively and was an executive director of the Company as at 31 March 2017, granted a loan of HK$5,000,000 to the Group. The amount is unsecured, carries a fixed interest rate of 3% per annum and is repayable in 2021. On initial recognition, the loan was stated at fair value of approximately HK$4,509,000, determined based on the then market interest rate of 5% as estimated by the Company's directors. The difference of approximately HK$491,000 between the loan proceed received and such fair value was accounted for as capital contribution from a shareholder.

During the year on 19 May 2017, Mr. Tse Chun Kit resigned as a director of the Company and accordingly the above loan and other balances due from the Group were classified as other payables as at 31 March 2018 (Note 20).

As at 31 March 2018, Mr. Tse Chun Kit agreed in writing not to demand repayment of the above loan and other balances due from the Group until the Group is in position to meet its obligation to third parties. Accordingly, the above loan and other amounts due to him in aggregate of approximately HK$12,703,000 are classified as non-current liabilities as at 31 March 2018.

22. LEASES

(a) Finance leases – as lessee

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:

	Minimum lease payments HK$'000	**Interest** HK$'000	**Present value** HK$'000
As at 31 March 2018			
Not later than one year	**4,095**	**149**	**3,946**
Later than one year and not later than two years	**1,173**	**24**	**1,149**
Later than two years and not later than five years	**274**	**6**	**268**
	5,542	**179**	**5,363**
As at 31 March 2017			
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

22. 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:

	2018	2017
	HK$'000	HK$'000
Not later than one year	**2,354**	2,952
Later than one year and not later than five years	**1,843**	4,484
	4,197	7,436

23. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Tax losses	**Accelerated depreciation allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2016	3,428	(3,378)	50
Credited/(charged) to profit or loss for the year *(Note 13)*	(477)	237	(240)
At 31 March 2017 and 1 April 2017	2,951	(3,141)	(190)
(Charged)/credited to profit or loss for the year *(Note 13)*	(2,648)	1,264	(1,384)
At 31 March 2018	303	(1,877)	(1,574)

23. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

For the purpose of presentation in 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:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**303**	–
Deferred tax liabilities	**(1,877)**	(190)
Net	**(1,574)**	(190)

No deferred tax asset has been recognised for Pak Wing Construction Limited in respect of certain unused tax losses due to the unpredictability of future profit streams in the relevant entities. At the end of the reporting period, the Group has not recognised certain unused tax losses amounting to approximately HK$55,182,000. The tax losses arising from the operation do not expire under current tax legislation in the relevant tax jurisdiction.

24. SHARE CAPITAL

	2018		2017	
	Number Ordinary shares '000	**Amount HK$'000**	Number Ordinary shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 April and 31 March	**1,000,000**	**10,000**	1,000,000	10,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 April and 31 March	**800,000**	**8,000**	800,000	8,000

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
		–	–
Current assets			
Prepayment and deposit		304	172
Amount due from a subsidiary		20,327	20,538
Cash and cash equivalents		4,264	32
		24,895	20,742
Current liabilities			
Accruals and other payables		692	690
		692	690
Non-current liabilities			
Loans from a director		7,401	–
		7,401	–
NET ASSETS		16,802	20,052
EQUITY			
Share capital	24	8,000	8,000
Reserves	26	8,802	12,052
TOTAL EQUITY		16,802	20,052

On behalf of the Board of Directors

Zhang Weijie
Director

Wong Chin To
Director

26. RESERVES

The amount 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	Capital reserve (d) HK$'000	Total HK$'000
At 1 April 2016	82,525	(15,832)	–	66,693
Loss for the year	–	(54,641)	–	(54,641)
At 31 March 2017 and 1 April 2017	82,525	(70,473)	–	12,052
Capital contribution from owners	–	–	2,136	2,136
Loss for the year	–	(5,386)	–	(5,386)
At 31 March 2018	82,525	(75,859)	2,136	8,802

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.

(d) Capital reserve

The amount represents in substance capital contribution from Mr. Zhang Weijie, the controlling shareholder and Mr. Wong Chin To and Mr. Tse Chun Kit, who held 75% of shareholding of the Company collectively, during the years ended 31 March 2018 and 2017, respectively, being the difference between the fair value of the loans from them on initial recognition and the loan proceeds received by the Group. For details of the loans, please refer to Note 21.

27. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2018 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 Direct	Indirect	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
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%	Ordinary shares of HK$10,000	Foundation contractor, Hong Kong
Pak Wing Machinery Company Limited ("Pak Wing Machinery")	Hong Kong, 29 May 2013, limited liability company	–	100%	Ordinary shares of HK$10,000	Rental of machinery, Hong Kong
Glorious Leap Limited ("Glorious Leap")	BVI, 25 May 2017, limited liability company	100%	–	100 ordinary shares of US$1 each	Investment holding, Hong Kong
Grand Goal Group Limited ("Grand Goal Group")	BVI, 25 May 2017, limited liability company	100%	–	100 ordinary shares of US$1 each	Investment holding, Hong Kong
Glorious Leap (Hong Kong) Limited ("Glorious Leap (Hong Kong)")	Hong Kong, 9 June 2017, limited liability company	–	100%	Ordinary shares of HK$10,000	Dormant, Hong Kong
Grand Goal Group (Hong Kong) Limited ("Grand Goal Group (Hong Kong)")	Hong Kong, 9 June 2017, limited liability company	–	100%	Ordinary shares of HK$10,000	Dormant, Hong Kong

28. 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:

Name of related parties	Nature of transactions	2018 HK$'000	2017 HK$'000
Oriental Boring & Eng. Ltd (a)	Contract related services charge (d)	–	5
Air Power Limited (b)	Machinery rental expense (d)	–	5
Mrs. Wong Ching Nam (c)	Staff costs charged (d)	550	–

Notes:

(a) Oriental Boring & Eng. Ltd is beneficially owned by the parents of Mr. Tse Chun Kit, a director of the Company's subsidiary.

(b) Mr. Tse Chun Kit, a director of the Company's subsidiary, has beneficial interest of 50% in Air Power Limited.

(c) Mrs. Wong Ching Nam, the spouse of Mr. Wong Chin To, was employed and being paid by the Group for the year ended 31 March 2018.

(d) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors of the Company 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 12 to the consolidated financial statements.

29. 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, amount due to and loans from directors 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.

(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 82% and 85% of which was derived from five largest customers as at 31 March 2018 and 2017, 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.

	2018	2017
	HK$'000	HK$'000
Largest customer	**16,773**	12,650
Five largest customers	**24,686**	21,080

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 18.

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.

29. 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$'000	More than one year HK$'000
As at 31 March 2018				
Trade and other payables	**40,952**	**41,436**	**28,664**	**12,772**
Obligations under finance leases	**5,363**	**5,542**	**4,095**	**1,447**
Amount due to a director	**1,028**	**1,028**	**1,028**	**–**
Loans from directors	**20,568**	**24,182**	**591**	**23,591**
	67,911	**72,188**	**34,378**	**37,810**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than one year or repayable on demand HK$'000	More than one year HK$'000
As at 31 March 2017				
Trade and other payables	34,739	34,739	34,739	–
Obligations under finance leases	14,184	15,046	6,870	8,176
Amounts due to directors	1,256	1,256	1,256	–
Loans from directors	9,148	11,500	356	11,144
	59,327	62,541	43,221	19,320

29. 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 2018 and 2017 is as follows:

	2018 **HK$'000**	2017 HK$'000
Increase/(decrease) in profit for the year		
– as a result of 5% increase in interest rate	**56**	96
– as a result of 5% decrease in interest rate	**(56)**	(96)

30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Finance lease obligations (Note 22(a)) HK$'000	Loans from directors (Note 21) HK$'000	Amount due to director (Note 21) HK$'000	Other payables (Note 20(c)) HK$'000	Total HK$'000
As at 1 April 2017	14,184	9,148	1,256	–	24,588
Changes from financing cash flows:					
Increase in amount due to directors	–	–	1,131	–	1,131
Proceeds from loan from directors	–	17,900	–	–	17,900
Proceeds from loan from former director	–	–	–	7,000	7,000
Repayment of obligation under finance leases	(8,821)	–	–	–	(8,821)
Interest paid	(537)	–	–	–	(537)
Total changes from financing cash flows	**(9,358)**	**17,900**	**1,131**	**7,000**	**16,673**
Other changes:					
Interest expenses	**537**	**–**	**–**	**–**	**537**
Transfer to loans from directors	**–**	**230**	**(230)**	**–**	**–**
Recognised as capital reserve	**–**	**(2,136)**	**–**	**–**	**(2,136)**
Reclassified as other payables	**–**	**(4,574)**	**(1,129)**	**5,703**	**–**
As at 31 March 2018	**5,363**	**20,568**	**1,028**	**12,703**	**39,662**

31. LITIGATION

At the end of the reporting period, there was a labour claim arising from the ordinary course of business of the Group being lodged against the Group. In about March 2018, an employee of Pak Wing Construction Company Limited, a subsidiary of the Group ("Pak Wing Construction") sued against Pak Wing Construction to the High Court in respect of a claim for personal injury sustained by him in an accident happened on 18 March 2016 arising out of and in the course of his employment. No specific amount of claim was stated in the writ of proceedings.

In the opinion of the Directors, the possibility of any outflow of resources in settling this claim was remote and/or the Group has sufficient insurance coverage to cover the loss, if any, arising from this claim and therefore the ultimate liability under this claim would not have a material adverse impact on the financial position or results of the Group.

32. 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. Net debt is calculated as the total of obligations under finance leases, amounts due to directors, loans from directors and other payables (non-current) and less cash and cash equivalents. Capital represents equity of the Group.

	2018 **HK$'000**	2017 HK$'000
Total debt	**39,662**	24,588
Less: Cash and cash equivalents	**(11,110)**	(19,177)
Net debt	**28,552**	5,411
Equity attributable to the owners of the Company	**1,394**	24,174
Gearing ratio	**2,048.2%**	22.4%

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2018 Carrying amount and fair value HK$'000	2017 Carrying amount and fair value HK$'000
Financial assets – loans and receivables		
Trade and other receivables	**42,631**	30,348
Cash and cash equivalents	**11,110**	19,177
	53,741	49,525
Financial liabilities measured at amortised cost		
Trade and other payables	**40,952**	34,739
Amounts due to directors	**1,028**	1,256
Obligations under finance leases	**5,363**	14,184
Loans from directors	**20,568**	9,148
	67,911	59,327

34. COMMITMENTS

As at 31 March 2018, the Group did not have any capital commitment (2017:Nil)

35. 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.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2018.

SUMMARY OF FINANCIAL INFORMATION

For the five years ended 31 March 2014, 2015, 2016, 2017 and 2018

RESULTS

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total revenue	**125,448**	137,310	107,306	130,791	101,747
(Loss)/profit before income tax	**(23,532)**	(28,688)	(24,820)	15,672	31,948
Income tax	**(1,384)**	(240)	2,589	(3,798)	(5,816)
(Loss)/profit and total comprehensive income for the year	**(24,916)**	(28,928)	(22,231)	11,874	26,132

ASSETS AND LIABILITIES

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**71,182**	83,691	86,905	74,716	60,644
Total liabilities	**(69,788)**	(59,517)	(34,785)	(31,163)	(27,967)
Net assets	**1,394**	24,174	52,120	43,553	32,677