



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

2018

Interim Report



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This report, for which the directors (the “Directors”) of Pak Wing Group (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2018 (the “**Relevant Period**”), together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	19,790	35,230	36,644	59,684
Cost of services		(22,656)	(36,584)	(37,515)	(62,633)
Gross loss		(2,866)	(1,354)	(871)	(2,949)
Other income	5	5,543	2,978	5,631	3,152
Administrative expenses		(4,025)	(3,738)	(7,779)	(7,915)
Finance costs	6	(287)	(316)	(611)	(565)
Loss before income tax	7	(1,635)	(2,430)	(3,630)	(8,277)
Income tax	8	457	705	348	465
Loss and total comprehensive income for the period attributable to the owners of the Company		(1,178)	(1,725)	(3,282)	(7,812)
Loss per share		HK cents	HK cents	HK cents	HK cents
– Basic and diluted	9	(0.147)	(0.216)	(0.410)	(0.977)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	12,839	16,479
Deferred tax assets		197	303
		13,036	16,782
Current assets			
Trade and other receivables	12	34,921	43,290
Cash and cash equivalents		9,507	11,110
		44,428	54,400
Current liabilities			
Trade and other payables	13	21,941	28,249
Obligations under finance leases	15	821	3,946
		22,762	32,195
Net current assets			
		21,666	22,205
Total assets less current liabilities			
		34,702	38,987
Non-current liabilities			
Obligations under finance leases	15	464	1,417
Amount due to a director	14	1,178	1,028
Loans from directors	14	20,568	20,568
Other payables		12,957	12,703
Deferred tax liabilities		1,423	1,877
		36,590	37,593
NET (LIABILITIES)/ASSETS			
		(1,888)	1,394
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	8,000	8,000
Reserves		(9,888)	(6,606)
TOTAL EQUITY			
		(1,888)	1,394

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK\$'000	Attributable to the owners of the Company				Total HK\$'000
		Share premium HK\$'000	Merger reserves HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	
As at 1 April 2018 (Audited)	8,000	82,525	(51,705)	(40,544)	3,118	1,394
Loss and total comprehensive income for the period	-	-	-	(3,282)	-	(3,282)
As at 30 September 2018 (Unaudited)	8,000	82,525	(51,705)	(43,826)	3,118	(1,888)
As at 1 April 2017 (Audited)	8,000	82,525	(51,705)	(15,628)	982	24,174
Loss and total comprehensive income for the period	-	-	-	(7,812)	-	(7,812)
As at 30 September 2017 (Unaudited)	8,000	82,525	(51,705)	(23,440)	982	16,362

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash used in operating activities	(1,655)	(24,777)
Net cash generated from investing activities	4,337	1,125
Net cash (used in)/generated from financing activities	(4,285)	16,431
Net decrease in cash and cash equivalents	(1,603)	(7,221)
Cash and cash equivalents at beginning of the period	11,110	19,177
Cash and cash equivalents at end of the period	9,507	11,956

NOTES TO THE UNAUDITED FINANCIAL RESULTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business was changed from 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong to 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong on 26 October 2018. The Company is an investment holding company and the shares were listed on GEM on 10 August 2015 (the "**Listing**"). The Group is principally engaged in the provision of foundation works in Hong Kong.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the Relevant Period has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should read in conjunction with the consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

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

For the purpose of preparing and presenting the financial information of the condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2018. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

Change in the accounting policies

HKFRS 9 — Financial Instruments

During the Relevant Period, the Group has applied HKFRS 9 "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. Under HKFRS 9, it is no longer necessary for an incurred loss event to have occurred.

The application of HKFRS 9 has no material effect on the classification and measurement of financial assets in the unaudited condensed consolidated financial statements, except the adoption of the expected credit losses ("**ECL**") model. The application of the ECL model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. The Group expects to apply the simplified approach and record lifetime ECL estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group has performed a detailed analysis and has considered all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its trade and other receivables upon the adoption of HKFRS 9. The adoption of HKFRS 9 has no material effect on the Group's unaudited condensed consolidated financial statements.

HKFRS 15 — Revenue from Contracts with Customers

During the Relevant Period, the Group has applied HKFRS 15 "Revenue from Contracts with Customers". This 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 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy in the unaudited condensed consolidated financial statements for revenue recognition as detailed below.

The Group elects to use the cumulative effect method for the adoption of HKFRS 15 with cumulative effect of initial application recognised in the opening balance of the retained earnings at 1 April 2018.

Under HKFRS 15, the Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed.

The Directors considered that the adoption of HKFRS 15 would not result in significant impact on the Group's unaudited condensed consolidated financial statements for the Relevant Period.

3. ESTIMATES

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

4. REVENUE AND SEGMENT INFORMATION

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

Operating segment

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

Geographical information

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

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	5,419	125	5,419	125
Income from trading machinery	–	1,285	–	1,285
Rental income from leasing machinery	67	1,558	155	1,660
Others	57	10	57	82
	5,543	2,978	5,631	3,152

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on finance leases	15	152	71	326
Interest on loan from directors	164	82	289	120
Interest on loan from a former director	108	82	251	119
	287	316	611	565

7. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	7,366	5,059	13,545	10,741
(Gain)/Loss on disposal of property, plant & equipment, net	(5,416)	9	(5,416)	9
Depreciation	1,975	3,196	4,719	6,555
Operating lease rentals in respect of:				
– Land and building	604	807	1,311	1,549
– Plant and equipment	1,634	426	1,750	1,393

8. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax for the period:				
Hong Kong profits tax	–	–	–	–
Deferred tax	457	705	348	465
	457	705	348	465

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

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(3,282)	(7,812)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	'000 800,000	'000 800,000

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2018 and 2017.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the Relevant Period (2017: nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Machineries	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
As at 1 April 2017 (Audited)	1,438	54,774	1,456	7,376	65,044
Disposal	–	(6,290)	–	(248)	(6,538)
As at 31 March 2018 (Audited)	1,438	48,484	1,456	7,128	58,506
Additions	–	3,500	–	1,865	5,365
Disposal	–	(8,459)	–	(2,578)	(11,037)
As at 30 September 2018 (Unaudited)	1,438	43,525	1,456	6,415	52,834
Accumulated depreciation					
As at 1 April 2017 (Audited)	655	27,022	588	3,120	31,385
Provided for the year	231	10,175	289	1,827	12,522
Written back on disposal	–	(1,632)	–	(248)	(1,880)
As at 31 March 2018 (Audited)	886	35,565	877	4,699	42,027
Provided for the period	115	3,624	140	840	4,719
Written back on disposal	–	(5,075)	–	(1,676)	(6,751)
As at 30 September 2018 (Unaudited)	1,001	34,114	1,017	3,863	39,995
Net book value					
As at 30 September 2018 (Unaudited)	437	9,411	439	2,552	12,839
As at 31 March 2018 (Audited)	552	12,919	579	2,429	16,479

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 15).

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Machineries	1,832	7,591
Motor vehicles	822	2,361
	2,654	9,952

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade receivables	17,399	18,137
Retention receivables	8,282	11,972
Other receivables	7,734	11,097
Prepayments and deposits	1,506	2,084
	34,921	43,290

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Less than 1 month	8,463	9,798
1 to 3 months	8,140	5,431
More than 3 months but less than one year	796	2,908
	17,399	18,137

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.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Trade payables	20,139	26,683
Other payables and accruals	1,802	1,566
	21,941	28,249

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Less than 1 month	6,980	2,259
1 to 3 months	4,508	16,337
More than 3 months but less than one year	6,792	4,683
More than one year	1,859	3,404
	20,139	26,683

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

14. AMOUNT DUE TO AND LOANS FROM DIRECTORS

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Amount due to a director		
Mr. Wong Chin To (<i>Note (a)</i>)	1,178	1,028
Loans from directors		
Mr. Wong Chin To (<i>Note (b)</i>)	13,167	13,167
Mr. Zhang Weijie (<i>Note (c)</i>)	7,401	7,401
	20,568	20,568

Notes:

- (a) The amount due to a director is unsecured, interest-free and repayable on demand.
- (b) Mr. Wong Chin To was an executive director of the Company as at 30 September 2018, granted a loan of HK\$5,000,000 to the Group as at 31 March 2017. 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 5% as estimated by the Company's directors.
- During the year ended 31 March 2018, Mr. Wong Chin To granted an additional loan of HK\$8,500,000 to the Group. The amount is unsecured, carries a fixed rate of 5% per annum and is repayable in 2022.
- (c) Mr. Zhang Weijie, being a controlling shareholder and an executive director of the Company as at 30 September 2018, granted two loans of HK\$4,500,000 and HK\$4,900,000, respectively, to the Group during the year ended 31 March 2018. The amounts are unsecured, repayable in 2022 and determined based on the then market interest rate of 5% as estimated by the Company's directors.

15. FINANCE LEASES

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

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2018 (Unaudited)			
Not later than one year	850	29	821
Later than one year and not later than two years	324	10	314
Later than two years and not later than five years	152	2	150
	1,326	41	1,285
As at 31 March 2018 (Audited)			
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

16. SHARE CAPITAL

	Number	Amount
		HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2017, 31 March 2018 (Audited) and 30 September 2018 (Unaudited)	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2017, 31 March 2018 (Audited) and 30 September 2018 (Unaudited)	800,000,000	8,000

17. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the Relevant Period are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Salaries and benefits	1,417	702	2,831	1,710
Pension scheme contributions	22	17	45	36
	1,439	719	2,876	1,746

(b) Transactions

In addition to the transactions and balances disclosed elsewhere in the condensed 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 Relevant Period:

Name of related party	Nature of transactions	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Mrs. Wong Ching Nam (a)	Staff costs charged	300	200

Note:

- (a) Mrs. Wong Ching Nam, the spouse of Mr. Wong Chin To, was employed and being paid by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the foundation works business in Hong Kong. Its customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used.

During the Relevant Period, the Group recorded a decrease in turnover of approximately HK\$23.0 million or 38.6%. Its gross loss margin was approximately 2.4% as compared to gross loss margin 4.9% 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 Directors estimate the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years, which will lead to an increase the competition from other contractors seeking to tender projects at low price, which will in turn affect the Group's growth and profitability.

In view of the sustained losses of the Group, 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.

FINANCIAL REVIEW

Turnover

The Group's revenue for the Relevant Period was approximately HK\$36.6 million, representing a decrease of approximately HK\$23.0 million or 38.6% as compared to the revenue for the six months ended 30 September 2017. The decrease was mainly due to two large foundation projects completed, which contributed approximately HK\$14.8 million for the Relevant Period as compared to HK\$68.1 million for the six months ended 30 September 2017.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$0.9 million (2017: gross loss approximately HK\$2.9 million) and the gross loss margin was approximately 2.4% (2017: gross loss margin 4.9%). 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 Relevant Period.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.1 million or 1.7% from HK\$7.9 million for the six months ended 30 September 2017 to HK\$7.8 million for the Relevant Period. The decrease was mainly due to legal and professional expenses incurred for the six months ended 30 September 2017 in relation to the transfer of the Company's shares.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$3.3 million (2017: approximately HK\$7.8 million). Such decrease in loss was mainly due to the gross profit improved and gain on disposal of property, plant and equipment amounted to \$5.4 million during the Relevant Period.

Liquidity, Financial Resources and Capital Structure

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Current assets	44,428	54,400
Current liabilities	22,762	32,195
Current ratio	1.95	1.69

The current ratio of the Group as at 30 September 2018 was approximately 1.95 times as compared to that of approximately 1.69 times as at 31 March 2018.

As at 30 September 2018, the Group had total cash and cash equivalents of approximately HK\$9,507,000 (31 March 2018: HK\$11,110,000).

As at 30 September 2018 and 31 March 2018, the Group had other payables (non-current), loan from directors and finance leases in total of approximately HK\$34.8 million and HK\$38.6 million respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Within 1 year	821	3,946
Between 1 and 2 years	314	1,149
Between 2 and 5 years	33,675	33,539
	34,810	38,634

Gearing Ratio

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

	As at 30 September 2018 HK\$'000 (Unaudited)	As at 31 March 2018 HK\$'000 (Audited)
Total debt	35,988	39,662
Less: Cash and cash equivalents	(9,507)	(11,110)
Net debt	26,481	28,552
Equity attributable to the owners of the Company	(1,888)	1,394
Gearing ratio	(1,402.6%)	2,048.2%

Interim Dividend

The Board does not recommend the payment of interim dividend for the Relevant Period (2017: Nil).

Contingent Liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2018, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2018, the Group did not have any significant capital commitment.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Significant Investments Held by the Group

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

Future Plan for Material Investments and Capital Assets

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

Foreign Currency Risk

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

Employees and Remuneration Policy

As at 30 September 2018, the Group employed a total of 81 staff. The total employee remuneration, including remuneration of the Directors for the Relevant Period, amounted to approximately HK\$13.5 million.

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

Use of Proceeds from Placing

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 10 August 2015 through a placement of 120,000,000 shares of HK\$0.01 each in the share capital of the Group at the price of HK\$0.35 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK\$24.3 million. On 19 September 2016, the Group has resolved to change the proposed use of the net proceeds.

	Planned amount as stated in the Company's prospectus dated on 28 July 2015	Actual amount utilised up to 30 September 2018	Change of use of proceeds up to 30 September 2018	Actual balance as at 30 September 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.

OTHER INFORMATION

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

As at 30 September 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 (the “**SFO**”) (Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the “**Required Standard of Dealings**”) or Rule 23.07 of the GEM Listing Rules are as follows:

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 <i>(Note 2)</i>
Mr. Zhang Weijie <i>(Note 1)</i>	Interest of a controlled corporation	600,000,000(L) 83,977,158(S)	75.0% 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 30 September 2018.

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

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

Save as disclosed above, as at 30 September 2018, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings or Rule 23.07 of the GEM Listing Rules.

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

As at 30 September 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 shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 4)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000(L)	75.0%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") (Notes 1 & 2)	Security interest	83,977,158(S) 600,000,000(L)	10.5% 75.0%
China Huarong (Macau) International Company Limited ("China Huarong International") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 4)
Huarong Real Estate Co., Limited ("Huarong Real Estate") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Ministry of Finance of the People's Republic of China ("Ministry of Finance") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Freeman Union Limited ("Freeman Union") (Note 3)	Beneficial owner	63,660,000(L)	7.95%
Freeman United Investments Limited ("Freeman United Investments") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Ambition Union Limited ("Ambition Union") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Corporation Limited ("Freeman Corporation") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Financial Investment Corporation ("Freeman Financial Investment") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Fintech Corporation Limited ("Freeman Fintech Corporation") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%

(L): Long position

(S): Short position

Notes:

- Steel Dust had executed a charge over its security account deposited with 600,000,000 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.
- 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 600,000,000 shares of the Company.

3. Freeman Union is the beneficial owner of 63,660,000 shares of the Company and is wholly owned by Freeman United Investments. Freeman United Investments is wholly owned by Ambition Union. Ambition Union is owned as to 76% by Freeman United Investments and as to 24% by Freeman Corporation. Freeman Corporation is wholly owned by Freeman Financial Investment. Freeman Financial Investment is wholly owned by Freeman Fintech Corporation. Therefore, Freeman United Investments, Ambition Union, Freeman Corporation, Freeman Financial Investment and Freeman Fintech Corporation are deemed to be interested in the 63,660,000 shares of the Company held by Freeman Union.
4. The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 September 2018.

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

- Reference is made to the announcement of the Company dated 31 August 2018 and 14 September 2018 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the appointment of Mr. Lee Man Yeung as the additional independent non-executive Director and a member of the Audit Committee on 14 September 2018, the Company has three independent non-executive Directors and three members of the Audit Committee and thus is in compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report 2018 are set out below:

- Mr. Lau Yik Lok was resigned as an independent non-executive Director with effect from 31 August 2018.
- Mr. Lee Man Yeung was appointed as an independent non-executive Director with effect from 14 September 2018.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 6 July 2015 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yang Zida. The other members are Ms. Li Huanli and Mr. Lee Man Yeung (appointed on 14 September 2018 following the resignation of Mr. Lau Yik Lok on 31 August 2018). The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

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

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

Hong Kong, 13 November 2018

As at the date of this report, the executive Directors are Mr. Zhang Weijie (Chairman), Mr. Wong Chin To and Mr. Duan Ximing; and the independent non-executive Directors are Mr. Yang Zida, Ms. Li Huanli and Mr. Lee Man Yeung.