



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



2019

ANNUAL REPORT

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 Main Board. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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



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BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Weijie (*Chairman*)
Mr. Wong Chin To
Mr. Duan Ximing (*Chief executive officer*)

Independent Non-executive Directors

Mr. Yang Zida
Mr. Lau Yik Lok (resigned on 31 August 2018)
Ms. Li Huanli
Mr. Lee Man Yeung (appointed on 14 September 2018)

AUDIT COMMITTEE

Mr. Yang Zida (*Chairman*)
Mr. Lau Yik Lok (resigned on 31 August 2018)
Ms. Li Huanli
Mr. Lee Man Yeung (appointed on 14 September 2018)

REMUNERATION COMMITTEE

Ms. Li Huanli (*Chairlady*)
Mr. Lau Yik Lok (resigned on 31 August 2018)
Mr. Wong Chin To (resigned on 31 August 2018)
Mr. Yang Zida
Mr. Lee Man Yeung (appointed on 14 September 2018)

NOMINATION COMMITTEE

Ms. Li Huanli (*Chairlady*)
Mr. Lau Yik Lok (resigned on 31 August 2018)
Mr. Wong Chin To
Mr. Yang Zida (appointed on 31 August 2018)

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

CORPORATE INFORMATION (Continued)

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

5/F
Shum Tower
268 Des Voeux Road Central
Sheung Wan
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 2019 (the "Year").

REVIEW

During the Year, the Group recorded a decrease in turnover of approximately HK\$27.3 million or 21.7% to HK\$98.2 million compared with the year ended 31 March 2018. Its gross loss margin was approximately 4.0% for the Year as compared to gross loss margin 6.1% for the same period in 2018. The decline in revenue and gross loss margin occurred due to the continuing weakness and the keen competition in the foundation industry.

PROSPECT

During the Year, the global economy remains uncertainty and the competition in construction market is relatively keen. In the 2018-2019 Budget Speech, the Government unveiled a range of progressive and forward-looking initiatives for the construction industry and announced that it will spend HK\$85.6 billion on the public infrastructure that offer opportunities to skilled contractors including the Group. The Group will grasp these opportunities and use its best endeavor to bid for new projects.

Despite the decrease in turnover during the Year relative to the previous year, the Group has nonetheless maintained a sound financial position with a net cash position at the ended of the year. Although the timing for a fully recovery of the construction market remains uncertain, the Directors are of the view that the market of public sector construction sites will start to improve and consider that with the Group's experienced management team and good reputation in the market, the Group is well-positioned to compete with its competitors against such future challenges that are commonly faced by all industry player. The Group will continue to pursue appropriate business strategies to ensure that it is able to survive in this difficult business environment.

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, 21 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

During the Year, the Group recorded a decrease in turnover of approximately HK\$27.3 million or 21.7%. Its gross loss margin was approximately 4.0% for the Year as compared to gross loss margin 6.1% for the year in 2018. In the 2018–2019 Budget Speech, Government announced that it will spend HK\$85.6 billion on the public infrastructure, which includes construction of the Three-Runway System as part of an expanded Hong Kong International Airport and the Central Kowloon Route linking the Yau Ma Tei Interchange in West Kowloon with the road network of the Kai Tak Development and Kowloon Bay in East Kowloon that represent other main infrastructure projects and will offer opportunities to skilled contractors including the Group. However, the competition remains very keen in the future due to the growing number of market players. In addition, the construction costs continue to rise due to labour shortages, increasingly stringent regulatory controls and rising construction material and operating costs. Although the market conditions are less favorable to construction industry, the Directors are of the view that the market of public sector construction sites will start to improve and consider that with the Group's experienced management team and good reputation in the market, the Group is well-positioned to compete with its competitors against such future challenges that are commonly faced by all industry player. The Group will continue to pursue appropriate business strategies to ensure that it is able to survive in this difficult business environment.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the Year was approximately HK\$98.2 million, representing a decrease of approximately HK\$27.3 million or 21.7% as compared to the revenue for the year ended 31 March 2018. The decrease was mainly due to two large foundation projects completed during the Year, which contributed approximately HK\$17.1 million for the Year as compared to HK\$68.1 million for the year ended 31 March 2018.

GROSS LOSS AND GROSS LOSS MARGIN

For the Year, the Group recorded a gross loss of approximately HK\$3.9 million (2018: gross loss of approximately HK\$7.7 million) and the gross loss margin was approximately 4.0% (2018: gross loss margin of 6.1%). The improved gross loss 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 as compared to last year.

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by approximately HK\$3.5 million or 18.5% from approximately HK\$19.1 million for the year ended 31 March 2018 to approximately HK\$15.6 million for the Year. The decrease was mainly due to the impairment loss on retention receivables and trade receivables by approximately HK\$3.1 million incurred during the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCE COSTS

Finance costs increased by approximately HK\$0.2 million or 13.4% from approximately HK\$1.5 million for the year ended 31 March 2018 to approximately HK1.7 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\$6.4 million (2018: approximately HK\$24.9 million). Such decrease was mainly due to the gross profit improved and gain on disposal of property, plant and equipment amounted to approximately HK\$12.5 million 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.

	2019 HK\$'000	2018 HK\$'000
Current assets	38,202	54,400
Current liabilities	17,541	32,195
Current ratio	2.18	1.69

The current ratio of the Group as at 31 March 2019 was approximately 2.18 times as compared to that of approximately 1.69 as at 31 March 2018.

As at 31 March 2019, the Group had total cash and cash equivalents of approximately HK\$10.2 million (2018: approximately HK\$11.1 million).

As at 31 March 2019 and 31 March 2018, the Group had other payables, loans from directors and finance leases in total of approximately HK\$34.9 million and HK\$38.6 million respectively. The scheduled repayment date of the Group were as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 year	266	3,946
Between 1 and 2 years	162	1,149
Between 2 and 5 years	34,424	33,539
	34,852	38,634

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 the total of equity and net debt of the Group.

	2019 HK\$'000	2018 HK\$'000
Total debt	36,828	39,662
Less: Cash and cash equivalents	(10,199)	(11,110)
Net debt	26,629	28,552
Capital	19,150	29,946
Gearing ratio	139%	95%

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to contract assets, trade receivables and deposits with banks. The credit risk of the Group's contract assets and trade receivables is concentrated since approximately 84.9% of which was derived from five major customers as at 31 March 2019 (2018: approximately 82.0%). 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.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2019.

PLEDGE OF ASSETS

As at 31 March 2019, the Group had no assets pledged for bank borrowings or for other purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have other 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 2019.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed a total of 58 staff. The total employee remuneration, including remuneration of the Directors, for the Year amounted to approximately HK\$32.9 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.

USE OF PROCEEDS FROM PLACING

On 10 August 2015, the shares of the Company were successfully listed on GEM of the Stock Exchange (the "Listing") 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

	Planned amount as stated in the Company's prospectus dated on 28 July 2015	Actual amount utilised up to 31 March 2019	Change of use of proceeds up to 31 March 2019	Actual balance as at 31 March 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Acquiring machinery	18,400	(13,726)	(4,000)	674
Strengthening our manpower	4,400	(4,400)	–	–
General working capital	1,500	(5,500)	4,000	–
	24,300	(23,626)	–	674

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 financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group:

- (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 operation 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 subcontractors.
- (vii) The Group is exposed to possible environmental liability.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Area	Measures
Air pollution control	<ul style="list-style-type: none">(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	<ul style="list-style-type: none">(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	<ul style="list-style-type: none">(i) Waste to be segregated into general wastes and construction wastes before transporting to landfills
Waste water disposal	<ul style="list-style-type: none">(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. During the Year, the Group generated revenue from a total of 14 customers, among which, our five largest customers accounted for approximately 93.5% (2018: 96.1%) for the Year of our total revenue, and our largest customer accounted for approximately 47.3% (2018: 56.7%) of our total revenue for the Year. The Group generated approximately 54.6% of our revenue from 8 first-time customers for the Year, and for the year ended 31 March 2018, the Group generated approximately 29.7% of our revenue from 4 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 2019 and 2018.

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 31.4% and 46.4% of our total costs of services for the year ended 31 March 2019 and 2018 respectively. Our largest subcontractors accounted for approximately 11.1% of our total costs of services for the Year (2018: 16.1%). Our five largest subcontractors accounted for approximately 28.0% of our total costs of services for the Year (2018: 40.9%).

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 nor does the Group experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have had a material impact on the Group business, financial condition or results of operations. The Group has not set up any trade union for its employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Weijie (張偉傑), aged 29, 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 40, 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 obtained an Honorary Doctorate of Management in Lincoln University in 2019 and 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 36, 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YANG Zida (楊子達), aged 40, was appointed as an independent non-executive Director on 31 August 2017. Mr. Yang is serving on the Audit Committee, the Remuneration Committee and the Nomination 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.

Ms. LI Huanli (李歡麗), aged 37, 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.

Ms. 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.

Mr. LEE Man Yeung (李文洋), aged 41, was appointed as an independent non-executive Director on 14 September 2018. Mr. Lee is a member of the Audit Committee and the Remuneration Committee of the Company.

Mr. Lee obtained a diploma in Business Management (Banking & Finance) from Holmesglen Institute of TAFE in Australia in August 2000. Mr. Lee has more than 13 years of experience in business management in the construction industry. He worked at Hang Tat Engineering Company Limited as a project manager from 2003 to 2010. Mr. Lee was the business owner of APEX Construction & Development Limited from September 2008 to May 2015. He is the founder and has been a director of Le Point Management Company Limited, a company principally engaged in the business of management of restaurants and hospitality group in China since January 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

SENIOR MANAGEMENT

Mr. LAU Hon Ming, Hobby (劉漢明), aged 51, 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 obtained a bachelor degree of business administration in corporate administration from The Open University of Hong Kong in August 2018.

Ms. Li has over 13 years' experience in auditing, accounting and financial management. She commenced her career in auditing from 2004 to 2007. From 2007-2015, she worked at Poly Property Group Co., Limited, a company listed on the Stock Exchange (stock code: 119) as accountant.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. Save as disclosed in the sections headed “Board of Directors” in this corporate governance report, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors (the “Code of Conduct”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Required Standard Dealings”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings throughout the year under review. Further the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the year under review.

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. Lee Man Yeung 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”).

CORPORATE GOVERNANCE REPORT (Continued)

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*)
Mr. Wong Chin To
Mr. Duan Ximing (*Chief executive officer*)

Independent non-executive Directors

Mr. Yang Zida
Ms. Li Huanli
Mr. Lee Man Yeung (appointed on 14 September 2018)
Mr. Lau Yik Lok (resigned on 31 August 2018)

Reference is made to the announcement of the Company dated 31 August 2018 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the resignation of Mr. Lau Yik Lok as an independent non-executive Director on 31 August 2018, 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 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.

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

Each of Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Lee Man Yeung will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 20 August 2019 pursuant to article 108(b) and 112 of our articles of association. Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Lee Man Yeung, 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 and Mr. Wong Chin To as executive Directors and Mr. Lee Man Yeung as an independent non-executive Director.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. Mr. Zhang Weijie has been the chairman of the Board throughout the year. Mr. Duan Ximing is the chief executive officer of the Company.

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. Lee Man Yeung 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.

CORPORATE GOVERNANCE REPORT (Continued)

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 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 members of the Audit Committee and thus is in compliance with Rule 5.28 of the GEM Listing Rules.

During the Year, the Audit Committee has held 4 meetings to review and comment in the Company's 2018 annual results, interim results and quarterly results as well as the Company's material control procedures and risk management system. The attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Mr. Yang Zida (<i>Chairman</i>)	4/4
Ms. Li Huanli	4/4
Mr. Lee Man Yeung (appointed on 14 September 2018)	2/2
Mr. Lau Yik Lok (resigned on 31 August 2018)	2/2

The Group's consolidated financial statements for the Year 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 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 chairlady of the Remuneration Committee is Ms. Li Huanli, our independent non-executive Director, and other members include Mr. Yang Zida and Mr. Lee Man Yeung, our independent non-executive Directors. 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.

CORPORATE GOVERNANCE REPORT (Continued)

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
Ms. Li Huanli (<i>Chairlady</i>)	1/1
Mr. Lau Yik Lok (<i>Chairman</i>) (resigned on 31 August 2018)	1/1
Mr. Wong Chin To (resigned on 31 August 2018)	1/1
Mr. Yang Zida	1/1
Mr. Lee Man Yeung (appointed on 14 September 2018)	N/A

N/A represents not applicable

Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairlady of the Nomination Committee is Ms. Li Huanli, and other members include Mr. Yang Zida, our independent non-executive directors and Mr. Wong Chin To, our executive Director. 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.

As at the date of this report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, industry experience, cultural and educational background, professional skills and/or qualifications, knowledge and length of service.

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
Ms. Li Huanli (<i>Chairlady</i>)	1/1
Mr. Wong Chin To	1/1
Mr. Lau Yik Lok (resigned on 31 August 2018)	1/1
Mr. Yang Zida (appointed on 31 August 2018)	N/A

N/A represents not applicable

CORPORATE GOVERNANCE REPORT (Continued)

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the Year, four Board meetings were held. Details of the attendance of each Director at the Board meetings and annual general meeting of the Company held on 16 August 2018 ("2018 AGM") are set out below:

Name of Directors	Number of attendance Number of Board meetings	2018 AGM
Executive Directors		
Mr. Zhang Weijie	4/4	X
Mr. Wong Chin To	4/4	√
Mr. Duan Ximing	3/4	√
Independent non-executive Directors		
Mr. Yang Zida	4/4	X
Ms. Li Huanli	4/4	X
Mr. Lau Yik Lok (resigned on 31 August 2018)	2/2	√
Mr. Lee Man Yeung (appointed on 14 September 2018)	2/2	N/A

Remarks:

√ represents attendance N/A represents not applicable X represents absence

Code Provision A.1.3 of the Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and Board committees' meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decision making with reasonable notice and are welcomed to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as requested by Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Company. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors and senior management. All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company. The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 28 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, experience, cultural, educational background, expertise, skills and know how. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural, educational background, expertise, skills and know how. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitoring and reporting

The Nomination Committee will report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation of this Board Diversity Policy including but is not limited to the progress towards meeting the measurable objectives of this policy.

NOMINATION POLICY

The Board adopted a nomination policy (the "Nomination Policy") on 28 December 2018. A summary of the Nomination Policy, together with the measurable objectives set for implementing the Nomination Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Nomination Policy

The Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the directors of the Company. This also ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Measurable Objectives

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "Criteria"):

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

Monitoring and Reporting

The Nomination Committee will assess and report annually, in the corporate governance report, on the composition of the Board, and launch a formal process to monitor the implementation of this Nomination Policy as appropriate.

Review of Nomination Policy

The Nomination Committee will launch a formal process to review this Nomination Policy periodically to ensure that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

DISCLOSURE OF NOMINATION POLICY

A summary of Nomination Policy including the nomination procedures and the process and Criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year will be disclosed in the annual corporate governance report.

In the circular to shareholders for proposing a candidate as an independent non-executive director, it should also set out:

- the process used for identifying the candidate and why the Board believes the candidate should be elected and the reason why it considers the candidate to be independent;
- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, the reason the board believes the candidate would still be able to devote sufficient time to the Board;
- the perspectives, skills and experience that the candidate can bring to the Board; and
- how the candidate can contribute to the diversity of the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 28 December 2018. According to the Dividend Policy, in deciding whether to propose any dividend payout, the Board shall also take into account, inter alia:

- the Company and its subsidiaries' (collectively, the "Group") actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;

CORPORATE GOVERNANCE REPORT (Continued)

- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Memorandum and Articles of Association of the Company. Except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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	550
Non-audit services	30

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

- (l) 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 Corporate Governance Professionals Limited ("CGP Limited") 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 CGP Limited 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 CGP Limited 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 2019, the risk management and internal control systems were effective and adequate and the Group has complied with the provisions in the 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' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

AUDITOR'S STATEMENT

The statement of the Auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the year ended 31 March 2019 is set out in the Auditor's Report on pages 41 and 45.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 28 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 46 to 115.

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 116 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 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company are set out in note 27 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 29 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

The Company's reserves available for distribution comprise share premium, capital reserves and accumulated losses. No reserve of the Company is available for distribution to shareholders as at 31 March 2019 (2018: 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. |

DIRECTORS' REPORT (Continued)

- | | | |
|----|--|--|
| 5. | The period within which the shares must be taken up under an option | A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof. |
| 6. | The minimum period for which an option must be held before it can be exercised | Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. |
| 7. | The amount payable on application or acceptance of the option and the period within which payments or calls must be made | The remittance of HK\$1.00 on or before the date of acceptance (which may not be later than seven days from the date of offer). |
| 8. | The basis of determining the exercise price | Being determined by the Directors and being not less than the price highest of: <ul style="list-style-type: none">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; andc. 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*)
Mr. Wong Chin To
Mr. Duan Ximing (*Chief executive officer*)

Independent non-executive Directors

Mr. Yang Zida
Ms. Li Huanli
Mr. Lau Yik Lok (resigned on 31 August 2018)
Mr. Lee Man Yeung (appointed on 14 September 2018)

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 29 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 2019, 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.

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 2019, 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) 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 31 March 2019.

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 2019, 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 2019, 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 <i>(Note 4)</i>
Steel Dust Limited <i>(Note 1)</i>	Beneficial owner	600,000,000(L) 83,977,158(S)	75.0% 10.5%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") <i>(Note 1 and Note 2)</i>	Security interest	600,000,000(L)	75.0%
China Huarong (Macau) International Company Limited ("China Huarong International") <i>(Note 2)</i>	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") <i>(Note 2)</i>	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong Real Estate Co., Limited ("Huarong Real Estate") <i>(Note 2)</i>	Interest of a controlled corporation	600,000,000(L)	75.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") <i>(Note 2)</i>	Interest of a controlled corporation	600,000,000(L)	75.0%
Ministry of Finance of the People's Republic of China ("Ministry of Finance") <i>(Note 2)</i>	Interest of a controlled corporation	600,000,000(L)	75.0%
Freeman Union Limited ("Freeman Union") <i>(Note 3)</i>	Beneficial owner	63,660,000(L)	7.95%
Freeman United Investments Limited ("Freeman United Investments") <i>(Note 3)</i>	Interest of a controlled corporation	63,660,000(L)	7.95%
Ambition Union Limited ("Ambition Union") <i>(Note 3)</i>	Interest of a controlled corporation	63,660,000(L)	7.95%

DIRECTORS' REPORT (Continued)

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 4)
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.
- 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.
- The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, 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 the business of the Group which competes or is likely to compete, directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 March 2019, 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 Thursday, 15 August 2019 to Tuesday, 20 August 2019, 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 Wednesday, 14 August 2019.

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 2019 and up to the date of this report.

DONATIONS

No donations had been made by the Group during the Year (2018: nil).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 31 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2019 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, 21 June 2019

INDEPENDENT AUDITOR'S REPORT

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 46 to 115, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 ("HKSA") 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group continued to sustain a gross loss and a net loss for the year ended 31 March 2019, which amounted to approximately HK\$3,920,000 and HK\$6,385,000, respectively. In addition, the Group had net liabilities of approximately HK\$7,479,000 as at 31 March 2019. As stated in note 3(b), these conditions, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

REVENUE RECOGNITION FOR CONSTRUCTION CONTRACTS

The Group's revenue from construction contracts amounted to approximately HK\$98,175,000 for the year ended 31 March 2019. As described in Note 4(i)(A), 5b(b)(i) and 7 to the consolidated financial statements, the Group recognised revenue by reference to the progress towards complete satisfaction of performance obligation at the end of the reporting period, measured using the output method. Management estimate the revenue and budgeted costs at the commencement of construction contracts and regularly assess the progress of construction works as well as the financial impact of any scope changes. For those contracts that contain variable consideration, the Group estimates the amount of variable consideration to which it will be entitled and included it in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

We identified the revenue recognition of construction contracts as a key audit matter as management's estimate of revenue, budget costs and the stage of completion of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised.

Our response:

- Obtaining an understanding of and evaluating the key controls related to revenue recognition of construction contracts and contract budget preparation;
- Discussing with management their bases of estimation of the budget revenue and costs as well as the progress towards completion of the contracts and evaluate reasonableness thereof;
- Assessing reasonableness of revenue recognised and the progress towards completion of the contracts by reference to the relevant progress certificates issued by customers and other underlying documents;
- Evaluating 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 related contracts; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;
- On a sample basis, agreeing the contract costs incurred to date on construction contracts to the subcontractors' payment certificates and supplier invoices; and
- Reviewing contract budget prepared by management for each on-going construction contracts to assess whether expected loss on contracts was properly recognised.

IMPAIRMENT OF TRADE RECEIVABLES AND CONTRACT ASSETS IN RESPECT OF EXPECTED CREDIT LOSSES (“ECLs”)

As set out in Note 19 and Note 17 to the consolidated financial statements as at 31 March 2019, the Group's trade receivables and contract assets amounted to approximately HK\$9,217,000 (after the provision of HK\$8,952,000) and HK\$6,099,000 (after the provision of HK\$5,927,000), respectively, which represented approximately 18.8% and 12.4% respectively of the Group's total assets.

The adoption of HKFRS 9 for the financial year beginning on 1 April 2018 has fundamentally changed the Group's accounting for impairment of trade receivables and contract assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit losses (“ECLs”) approach. Management estimates ECLs of trade receivables and contract assets based on the historical default rates, past-due status and financial capability of individual debtors and forward-looking macroeconomic factors.

We identified the impairment of trade receivables and contract assets as a key audit matter due to the significance of the carrying amounts of trade receivables and contract assets to the consolidated financial statements, as well as the significant judgement involved in developing and implementing the ECLs model and high level of estimation uncertainty.

Our response:

- Understanding management's process of assessing recoverability of trade receivables and contract assets;
- Assessing the appropriateness of management's ECLs model and challenged assumptions and data used in estimating ECLs, including testing the accuracy of the historical data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising loss allowances; and
- Discussing with management about their evaluation of impact of disputes with customers and unforeseen delay of construction contracts, if any, on the recoverability of trade receivables and contract assets and checking to those relevant correspondences and documents to assess reasonableness of their evaluation.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

DIRECTORS' RESPONSIBILITIES 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 RESPONSIBILITIES 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 HKSAAs 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 HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

- 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, 21 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	7	98,175	125,448
Cost of services		(102,095)	(133,111)
Gross loss		(3,920)	(7,663)
Other income	10	14,038	4,795
Administrative expenses		(15,583)	(19,120)
Finance costs	11	(1,751)	(1,544)
Loss before income tax	8	(7,216)	(23,532)
Income tax credit/(expense)	13	831	(1,384)
Loss and total comprehensive income for the year attributable to the owners of the Company		(6,385)	(24,916)
Loss per share		HK cents	HK cents
— Basic and diluted	15	(0.80)	(3.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	9,165	16,479
Deferred tax assets	24	303	303
		9,468	16,782
Current assets			
Contract assets	17	5,927	–
Trade and other receivables	19	22,076	43,290
Cash and cash equivalents	20	10,199	11,110
		38,202	54,400
Total assets		47,670	71,182
Current liabilities			
Trade and other payables	21	17,275	28,249
Obligations under finance leases	23	266	3,946
		17,541	32,195
Net current assets		20,661	22,205
Total assets less current liabilities		30,129	38,987
Non-current liabilities			
Obligations under finance leases	23	229	1,417
Amounts due to directors	22	1,976	1,028
Loans from directors	22	21,056	20,568
Other payables	21	13,301	12,703
Deferred tax liabilities	24	1,046	1,877
		37,608	37,593
NET (LIABILITIES)/ASSETS		(7,479)	1,394

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	8,000	8,000
Reserves		(15,479)	(6,606)
TOTAL EQUITY		(7,479)	1,394

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 2019

	Share capital HK\$'000	Share premium* (Note 27(a)) HK\$'000	Merger reserve* (Note 27(b)) HK\$'000	Accumulated losses* (Note 27(c)) HK\$'000	Capital reserve* (Note 27(d)) HK\$'000	Total HK\$'000
As at 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 22)	-	-	-	-	2,136	2,136
As at 31 March 2018	8,000	82,525	(51,705)	(40,544)	3,118	1,394
Adjustment on adoption of HKFRS 9 (Note 2(a)(A)(ii))	-	-	-	(2,488)	-	(2,488)
As at 1 April 2018 (adjusted)	8,000	82,525	(51,705)	(43,032)	3,118	(1,094)
Loss and total comprehensive income for the year	-	-	-	(6,385)	-	(6,385)
As at 31 March 2019	8,000	82,525	(51,705)	(49,417)	3,118	(7,479)

* These reserve accounts comprise the consolidated reserves of approximately HK\$(15,479,000) in the consolidated statement of financial position as at 31 March 2019 (2018: HK\$(6,606,000)).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Loss before income tax		(7,216)	(23,532)
Adjustments for:			
Depreciation of property, plant and equipment	8	8,348	12,522
Finance costs	11	1,751	1,544
(Reversal of)/recognition of impairment loss on retention receivables	8	(320)	320
Gain on disposal of property, plant and equipment	10	(12,510)	(367)
(Reversal of)/recognition of impairment loss on trade receivables	8	(428)	2,761
Reversal of impairment loss on contract assets	8	(201)	–
Reversal of impairment loss on other receivables	8	(74)	–
Operating loss before working capital changes		(10,650)	(6,752)
Decrease in amounts due from customers for contract work		–	960
Decrease in contract assets		6,193	–
Decrease/(increase) in trade and other receivables		7,630	(14,876)
Decrease in trade and other payables		(11,573)	(7,497)
Cash and net cash used in operating activities		(8,400)	(28,165)
Cash flows from investing activities			
Purchases of property, plant and equipment		(17,585)	–
Proceeds from disposal of property, plant and equipment		29,061	3,425
Net cash generated from investing activities		11,476	3,425
Cash flows from financing activities			
Increase in amounts due to directors		373	1,131
Increase in other payables		598	7,000
Proceeds from loans from directors		–	17,900
Repayment of obligations under finance leases		(4,868)	(8,821)
Interest paid		(90)	(537)
Net cash (used in)/generated from financing activities		(3,987)	16,673
Net decrease in cash and cash equivalents		(911)	(8,067)
Cash and cash equivalents at beginning of the year		11,110	19,177
Cash and cash equivalents at end of the year		10,199	11,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company’s head office and 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 its shares were listed on GEM on 10 August 2015. The Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

In the opinion of the directors, the immediate holding company of the Company is Steel Dust Limited, a company incorporated in the British Virgin Islands, which is also its ultimate holding company.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2018

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Set out below are those that are relevant to the Group’s financial statements:

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Under the transition method chosen, the Group recognises cumulative effect of initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 March 2018 HK\$'000	Impact on initial adoption of HKFRS 9 HK\$'000 Note (A)	Impact on initial adoption of HKFRS 15 HK\$'000 Note (B)	At 1 April 2018 HK\$'000 (adjusted)
ASSETS AND LIABILITIES				
Current assets				
Contract assets	–	(373)	11,972	11,599
Trade and other receivables	43,290	(2,115)	(11,972)	29,203
Total current assets	54,400	(2,488)	–	51,912
Net current assets	22,205	(2,488)	–	19,717
Net assets/(liabilities)	1,394	(2,488)	–	(1,094)
EQUITY				
Accumulated losses	(40,544)	(2,488)	–	(43,032)
Total equity	1,394	(2,488)	–	(1,094)

Notes:

A. HKFRS 9 – Financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(i) Classification and measurement of financial instruments

HKFRS 9 basically retained the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and no standalone derivatives and financial liabilities were designated as at fair value through profit or loss (“FVTPL”) as at 1 April 2018 and 31 March 2019. Also, the Group have not designated or de-designated any financial assets or liabilities as at FVTPL as at the date of initial application of HKFRS 9 (i.e. 1 April 2018). The impact of HKFRS 9 on the Group’s classification and measurement of financial asset is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised cost”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The management of the Group considers that all its financial assets should be classified at amortised cost, and hence no reclassification has to be made arising from the adoption of HKFRS 9, at date of initial application of HKFRS 9 (i.e 1 April 2018).

The accounting policies would be applied to the Group's financial assets at amortised cost as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

Financial Assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 31 March 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$'000
Contract assets *	N/A	Recognised under HKFRS 15 and subject to impairment provisions under HKFRS 9	11,972	11,599**
Trade and other receivables (excluding prepayments)	Loans and receivables	Amortised cost	30,659	28,544**
Cash and cash equivalents	Loans and receivables	Amortised cost	11,110	11,110

* The amounts due from customers for contract work and retention receivables have been reclassified to contract assets upon the adoption of the HKFRS 15. Details are explain in Note 2(a)(B) below.

** The carrying amounts as at 1 April 2018 under HKFRS 9 represented the gross carrying amounts of contract assets and trade and other receivables (excluding prepayments), net of loss allowance (see note 2(a)(A)(ii) below) of HK\$373,000 and HK\$2,115,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “expected credit losses model” (“ECLs”). HKFRS 9 requires the Group to recognise ECLs for trade receivables, other financial assets at amortised cost and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial as at 1 April 2018 and for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group estimates lifetime ECLs of trade receivables and contract assets on an individual customer basis. Loss rates are assigned to the individual customer accounts based on various factors, which include historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment, which may impact the customers’ ability to repay the outstanding balances, in order to estimate the ECLs for the impairment assessment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (2) the financial asset is more than 1 year past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets are assessed on individual customer basis, based on various factors, which include the Group's historical credit loss experience, the number of day past due, adjusted for forward-looking factors and specific consideration of the debtors' credit rating.

The increase in loss allowances for trade receivables and contract assets upon the transition to HKFRS 9 as of 1 April 2018 was HK\$1,066,000 and decreased to HK\$437,000 as at 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

A. HKFRS 9 – Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs (Continued)

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group include deposits for the acquisition of property, plant and equipment and other receivables. Applying the ECLs model are based on the 12-months ECLs that result in the recognition of HK\$1,422,000 on 1 April 2018 and decreased to HK\$1,348,000 for the year ended 31 March 2019.

As at 1 April 2018, the aggregate additional loss allowances of HK\$2,488,000 has been recognised against the retained profits and charged against the respective assets.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not have any hedging arrangement.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The Group performed assessments on its financial assets at amortised cost on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 according to the determination of the business model within which a financial asset is held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

B. HKFRS 15 – Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 “Construction Contracts”, HKAS 18 “Revenue” and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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 and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information was prepared with HKAS 18 “Revenue” and HKAS 11 “Construction Contracts.”

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. HKFRS 15 includes a new terminology of “contract assets”, which is defined as an entity’s right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. If there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise contract assets.

The adoption of HKFRS 15 has no material impact on the opening balance of the retained earnings at 1 April 2018 in the consolidated statement of changes in equity and the amounts recognised in the consolidated statement of comprehensive income. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(a) Adoption of new/revised HKFRSs – effective on 1 April 2018 (Continued)

Notes: (Continued)

B. HKFRS 15 – Revenue from contracts with customers (Continued)

Impact on the consolidated statement of financial position at 1 April 2018:

	At 31 March 2018 HK\$'000	Impact on adoption of HKFRS 15 HK\$'000	At 1 April 2018 HK\$'000 (adjusted)
Contract assets (note 17)	–	11,972	11,972
Retention receivables (note 19)	11,972	(11,972)	–

Impact on the consolidated statement of financial position of 31 March 2019:

	Under as HKAS 11 and 18 HK\$'000	Impact on adoption of HKFRS 15 HK\$'000	At 31 March 2019 HK\$'000
Contract assets (note 17)	–	6,099	6,099
Retention receivables (note 19)	6,099	(6,099)	–

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 adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(Continued)

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

HKFRS 16	Leases ¹
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of business ⁵
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations ¹
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements ¹
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes ¹
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

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

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

⁵ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the years of initial application.

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 its leases. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

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

HKFRS 16 – Leases (Continued)

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’s operating leases. The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 23(b), the Group has determined, based on the terms and conditions of the arrangements, that at 31 March 2019 the Group’s future minimum lease payments under non-cancellable operating leases amounted to approximately HK\$2,244,000. The Group expected that 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 shown as an off-balance sheet item will be replaced by “right-of-use asset” and “lease liability” in the consolidated statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have a material impact on the consolidated financial statements of the Group.

3. BASIS OF PRESENTATION AND PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with 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.

The Group continued to sustain a gross loss and a net loss for the year ended 31 March 2019, which amounted to approximately HK\$3,920,000 and HK\$6,385,000, respectively. In addition, the Group had net liabilities of approximately HK\$7,479,000 as at 31 March 2019. As further described below, the Group relied on the continual financial support from a director of the Company, a former director and the Company’s controlling shareholder in order to maintain sufficient working capital to meet its financial obligations as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

3. BASIS OF PRESENTATION AND PREPARATION (Continued)

(b) Basis of preparation and going concern assumption (Continued)

The consolidated financial statements have been prepared on a going concern basis as the Company's directors, based on a cash flow forecast of the Group prepared by them covering a period up to 31 March 2020 (the "Forecasted Period"), are satisfied that the Group will be able to meet its financial obligations as and when they fall due within the twelve months from 31 March 2019, after taking into account the following:

- (a) Mr. Wong Chin To, an executive director of the Company, and Mr. Tse Chun Kit, a former executive director of the Company, who were also the directors of Pak Wing Construction Company Limited ("Pak Wing Construction"), the principal operating subsidiary of the Company, as at 31 March 2019, have agreed in writing not to demand repayment of the amounts due from the Group amounting to HK\$1,476,000 and HK\$1,538,000, respectively, as at 31 March 2019, within twelve months from the end of the reporting period. As disclosed in Notes 22 and 21 to the consolidated financial statements, the Group had loans from them with a carrying amount of approximately HK\$13,263,000 and HK\$11,763,000, respectively, as at 31 March 2019, which are repayable in 2021 to 2022. In addition, they have agreed in writing to provide continual financial support to Pak Wing Construction to meet its financial obligations as and when they fall due;
- (b) the Company's controlling shareholder, who was an executive director of the Company as at 31 March 2019, has agreed in writing not to demand repayment of the amount due from the Group amounting to approximately HK\$500,000 as at 31 March 2019, within twelve months from the end of the reporting period. As disclosed in Note 22 to the consolidated financial statements, the Group had loans from him with a carrying amount of approximately HK\$7,793,000 as at 31 March 2019, which are repayable in 2022. In addition, he has agreed in writing to provide continual financial support to the Company to meet its financial obligations as and when they fall due; and
- (c) the Group will be able to achieve a level of business that could generate sufficient working capital during the Forecasted Period.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in these consolidated financial statements.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(e) (A) Financial Instruments (accounting policies applied from 1 April 2018)

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its financial assets at amortised cost as explain below:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) (A) Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for ECLs on trade receivables, contract assets and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables, and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group estimates lifetime ECLs on an individual customer basis, based on various factors including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (2) the financial asset is more than 1 year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) (A) Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligations under finance leases and bank borrowing, secured are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(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 the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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 period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) (B) Financial instruments (accounting policies applied until 31 March 2018)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) (B) Financial instruments (accounting policies applied until 31 March 2018) (Continued)

(iii) Financial liabilities

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(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 (accounting policies applied until 31 March 2018)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Construction contracts (accounting policies applied until 31 March 2018) (Continued)

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

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

(i) (A) Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liabilities under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) (A) Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

(a) *Provision of construction services*

The Group provides construction services based on contracts entered into with customers. Such contracts are entered into before the services begin. Based on the terms of the contracts and the specific facts and circumstances, the Group recognises revenue from provision of underground construction service is recognised over time as the Group believes that, the underground construction work performed by the Group creates or enhances the assets that the customers control as the assets is created or enhanced. Revenue from provision of construction work is therefore recognised over time using output method, i.e. based on surveys of work completed by the Group to date. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15 Revenue from Contracts with Customers.

For contracts that contain variable consideration, the Group estimate the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstance during the reporting period.

(b) *Other income*

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

Dividend income is recognised when the right to receive the dividend is established.

(c) *Contract assets and liabilities*

Contract assets represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) (A) Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

(c) Contract assets and liabilities (Continued)

Contract liabilities represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract assets are recognised when (i) the Group completes the construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as contract assets are reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises contract liabilities for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- (c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(B) Revenue recognition (accounting policies applied until 31 March 2018)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

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

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

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

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

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

(k) Provisions and contingent liabilities

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

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

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investment in subsidiaries, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(m) Related parties

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Related parties (Continued)

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.

(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.

(a) Critical judgement

i. Going concern basis

As disclosed in note 3 (b), the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into account of all relevant available information about the future of the Group, including cash flow forecast of the Group covering a period up to 31 March 2020. Such forecast about the future inherently involve various assumptions and uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(b) 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. Provision of construction services

Before the adoption of HKFRS 15, recognised amounts of construction contracts 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 reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Since the adoption of HKFRS 15, the determination of the progress of the construction services involves more judgements and the Group recognises revenue based on survey of work performed which reflect the progress towards complete satisfaction of the performance obligation. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual construction work till the day of completion. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purposes. As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fail to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

The Group defines the confirmed and unpriced VOs as variable consideration. These VOs were highly interrelated and regard as modification contract to former contract and made cumulative catch-up adjustment on such. The Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved and only record these approved VOs when the Group agreed and received interim payment from the customers.

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

(b) 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. *Provision of trade receivables*

Before the adoption of HKFRS 9, 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.

Since the adoption of HKFRS 9 on 1 April 2018, management of the Group determines the provision for the trade receivables by estimating a lifetime expected loss allowance for all trade receivables. The loss allowance for financial assets are determined based on a number of key assumptions. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on information including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as group size and reputation etc.) to the debtors and the economic environment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

(b) Estimates and assumptions (Continued)

v. *Estimated useful lives of property, plant and equipment*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

6. SEGMENT INFORMATION

Operating segment

The Group was principally engaged in the provision of foundation works in Hong Kong. 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.

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:

	2019 HK\$'000	2018 HK\$'000
Customer A	20,301	N/A
Customer B	17,119	71,083
Customer C	46,473	N/A
Customer D	N/A	26,794

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

7. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and is recognised over time in accordance with the accounting policy set out in Note 4(i)(A) above for the year ended 31 March 2019 and recognised in accordance with the accounting policy set out in Note 4(i)(B) above for the year ended 31 March 2018.

An analysis of revenue is as follows:

	2019 HK\$'000	2018 HK\$'000
Revenue recognised over time		
Foundation construction	98,175	125,448

Note: The disaggregated revenue information for the year ended 31 March 2018 was prepared in accordance with HKAS 18 and HKAS 11, which is not restated upon adoption of HKFRS 15 using the accumulative effect method (see note 2(a)(B)).

The following table provides information about trade receivables and contract assets from contracts with customers.

	2019 HK\$'000	2018 HK\$'000
Trade receivables (note 19(a))	9,217	18,137
Contract assets (note 17)	5,927	11,972

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of public and private construction. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

As at 31 March 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$11,023,000. This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 12 to 24 months.

The Group has applied the practical expedient to its contracts for construction services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction production that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the group will satisfy the conditions for earning those bonuses. As at 1 April 2018 and 31 March 2019, the Group did not have any contracts with completion bonuses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

8. LOSS BEFORE INCOME TAX

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

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration	550	580
Depreciation of property, plant and equipment	8,348	12,522
Operating lease rentals in respect of:		
— Land and buildings	2,251	2,976
— Plant and equipment	5,373	2,802
Reversal of impairment loss of contract assets	(201)	—
(Reversal of)/recognition of impairment loss on retention receivables	(320)	320
(Reversal of)/recognition of impairment loss on trade and other receivables	(502)	2,761
Gain on disposal of property, plant and equipment	(12,510)	(367)
Employee benefit expense (including Directors' remuneration)	32,919	26,151

9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2019 HK\$'000	2018 HK\$'000
Wages, salaries and other benefits	31,992	25,388
Post-employment benefits — defined contribution retirement plan contributions	927	763
	32,919	26,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

10. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Reversal of impairment loss on retention receivables	320	–
Gain on disposal of property, plant and equipment	12,510	367
Income from trading machinery	–	1,285
Rental income from leasing machinery	740	2,510
Others	468	633
	14,038	4,795

11. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on finance leases	90	537
Interest on loan from a former director	598	385
Interest on loans from directors	1,063	622
	1,751	1,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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 2019				
Executive directors:				
Mr. Wong Chin To	–	2,022	18	2,040
Mr. Zhang Weijie (Note (a))	–	627	18	645
Mr. Duan Ximing (Note (b))	–	360	17	377
	–	3,009	53	3,062
Independent non-executive directors:				
Mr. Lau Yik Lok (Note (f))	–	50	3	53
Ms. Li Huanli (Note (h))	–	120	6	126
Mr. Yang Zida (Note (i))	–	120	6	126
Mr. Lee Man Yeung (Note (k))	–	66	3	69
	–	356	18	374
Total	–	3,365	71	3,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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 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)

Notes:

- (a) Mr. Zhang Weijie was appointed as an executive director on 28 April 2017.
- (b) Mr. Duan Ximing was appointed as an executive director on 31 August 2017.
- (c) Mr. Tse Chun Kit resigned as an executive director on 19 May 2017.
- (d) Mr. Lui Man Wah was appointed as an executive director on 1 September 2016 and resigned from his position on 11 August 2017.
- (e) Mr. Ee Kok Wai, Thomas was appointed as an executive director on 1 September 2016, and resigned from his position on 19 May 2017.
- (f) Mr. Lau Yik Lok was appointed as an independent non-executive director on 19 May 2017 and resigned from his position on 31 August 2018.
- (g) Mr. Wong Chi Shing resigned as an independent non-executive director on 31 August 2017.
- (h) Ms. Li Huanli was appointed as an independent non-executive director on 15 August 2017.
- (i) Mr. Yang Zida was appointed as an independent non-executive director on 31 August 2017.
- (j) Mr. Yan Chun Fu was appointed as an independent non-executive director on 26 September 2016 and resigned from his position on 19 May 2017.
- (k) Mr. Lee Man Yeung was appointed as an independent non-executive director on 14 September 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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 1 executive director of the Company for the year ended 31 March 2019 (2018: 2), whose emolument is reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	5,377	2,331
Pension scheme contributions — defined contribution plans	81	53
	5,458	2,384

Their remuneration fell within the following bands:

	2019 No. of employees	2018 No. of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$2,000,000	2	1
HK\$3,000,001 to HK\$4,000,000	—	—

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	
	2019	2018
Nil to HK\$1,000,000	1	1
More than HK\$1,000,001	1	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

13. INCOME TAX CREDIT/EXPENSE

The amount of income tax credit/(expense) in the consolidated statement of comprehensive income represents:

	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong profits tax		
— charge for the year	—	—
Deferred tax	831	(1,384)
Income tax credit/(expense)	831	(1,384)

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 either incurred losses for the year or have tax losses brought forward to set off with the assessable profit for the year.

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

	2019 HK\$'000	2018 HK\$'000
Loss before income tax	(7,216)	(23,532)
Tax on profit before income tax, calculated at the applicable Hong Kong profit tax rates	(1,191)	(3,883)
Tax effect of non-deductible expenses	497	3,818
Tax effect on tax losses not recognised	226	1,565
Tax effect of non-taxable income	(363)	(116)
Income tax at the effective tax rate	(831)	1,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

14. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2019 and 2018.

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:

	2019 HK\$'000	2018 HK\$'000
Loss		
Loss for the purpose of calculating basic loss per share	(6,385)	(24,916)

	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 2019 and 2018. Accordingly, the diluted loss per share presented is the same as the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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 2017	1,438	54,774	1,456	7,376	65,044
Disposals	–	(6,290)	–	(248)	(6,538)
At 31 March 2018 and 1 April 2018	1,438	48,484	1,456	7,128	58,506
Additions	330	15,375	–	1,880	17,585
Disposals	(798)	(20,482)	–	(2,578)	(23,858)
At 31 March 2019	970	43,377	1,456	6,430	52,233
Accumulated depreciation					
At 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 and 1 April 2018	886	35,565	877	4,699	42,027
Provided for the year	224	6,237	266	1,621	8,348
Eliminated on disposals	(464)	(5,167)	–	(1,676)	(7,307)
At 31 March 2019	646	36,635	1,143	4,644	43,068
Net book value					
At 31 March 2019	324	6,742	313	1,786	9,165
At 31 March 2018	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 23).

	2019 HK\$'000	2018 HK\$'000
Machineries	466	7,591
Motor vehicles	313	2,361
	779	9,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

17. CONTRACT ASSETS

	2019 HK\$'000
<hr/>	
Contract assets arising from:	
Construction services	
— Retention receivables from contracts with customers within the scope of HKFRS 15	6,099
Less: Provision for impairment	<u>(172)</u>
	<u>5,927</u>

Construction services

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. Additionally, the Group typically agrees 1–2 years retention period for 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

The expected timing of recovery or settlement for contract assets as at 31 March 2019 is as follows:

	HK\$'000
<hr/>	
Within one year	<u>5,927</u>
Total contract assets	<u>5,927</u>

The movements in contract assets during the year are as follows:

	HK\$'000
<hr/>	
At 31 March 2018	–
Reclassification on adoption of HKFRS 15 (note 2(a)(B))	11,972
Less: Provision for impairment on adoption of HKFRS 9	<u>(373)</u>
At 1 April 2018 (adjusted)	11,599
Addition during the year	5,896
Received during the year	(11,769)
Reversal of provision for impairment	<u>201</u>
As at 31 March 2019	<u>5,927</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

17. CONTRACT ASSETS (Continued)

An impairment analysis is performed at each reporting date using an individual customer basis to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are with reference to those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The loss rates of contract assets are with reference to days past due of each individual customer in trade receivables, i.e. under “current not yet due”. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Movement in provision for impairment of contract assets is as follows:

	2019 HK\$'000
At 31 March 2018	320
Effect of adoption of HKFRS 9	373
At 1 April 2018 (adjusted)	693
Reversal of impairment loss on contract assets	(521)
At 31 March 2019	172

Set out below is the information about the credit risk exposure on the Group's contract assets using an individual customer basis:

	HK\$'000
At 31 March 2019	
Gross carrying amount	6,099
Expected credit losses	172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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

	2018 HK\$'000
<hr/>	
Contracts in progress:	
Contract costs incurred	107,836
Recognised profits less recognised losses	8,765
	<hr/>
	116,601
Less: progress billings	<hr/>
	(116,601)
	<hr/>
	-
Represented by:	
Amounts due from customers for contract work	-
Amounts due to customers for contract work	-
	<hr/>
	-
	<hr/>

19. TRADE AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
<hr/>		
Trade receivables (Note (a))	9,217	18,137
Retention receivables (Note (b))	-	11,972
Other receivables (Note (c))	13,486	11,097
Prepayments (Note (c))	319	659
Deposits (Note (c))	667	1,425
	<hr/>	
	23,689	43,290
Less: Expected credit losses	(1,613)	-
	<hr/>	
	22,076	43,290
	<hr/>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

	2019 HK\$'000	2018 HK\$'000
Trade receivables, for gross (Note)	9,217	18,137
Less: Expected credit losses	(265)	–
Trade receivables, net	8,952	18,137

Note:

- 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, net of loss allowances, presented based on the invoice dates:

	2019 HK\$'000	2018 HK\$'000
Less than 1 month	4,548	9,798
1 to 3 months	3,465	5,431
More than 3 months but less than one year	939	2,908
	8,952	18,137

i Impairment under HKFRS 9 for the year ended 31 March 2019

Starting from 1 April 2018, the Group applied simplified approach to provide the expected credit losses as prescribed by HKFRS 9, detail of which are set out in Note 4(e)(A)(ii) and Note 30.

ii Impairment under HKAS 39 for the year ended 31 March 2018

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

	2018 HK\$'000
Neither past due nor impaired	9,798
Less than 1 month past due	3,980
1 to 3 months past due	2,863
More than 3 months past due but less than 12 months past due	1,496
	18,137

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

ii Impairment under HKAS 39 for the year ended 31 March 2018 (Continued)

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.

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

	2019 HK\$'000
At 31 March 2018	2,932
Effect of adoption of HKFRS 9	693
At 1 April 2018 (adjusted)	3,625
Impairment loss and written off of trade receivables	(2,932)
Reversal of impairment loss on trade receivables	(428)
At 31 March 2019	265

(b) Retention receivables

	2018 HK\$'000
Retention receivables	12,292
Less: provision for impairment on retention receivables	(320)
	11,972

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

19. TRADE AND OTHER RECEIVABLES (Continued)

(b) Retention receivables (Continued)

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

	HK\$'000
As at 1 April 2017	–
Provision for impairment loss	320
As at 31 March 2018 and 1 April 2018	320
Reclassified to “contract assets” under HKFRS 15 (Note 17)	(320)
As at 31 March 2019	–

Upon the adoption of HKFRS 15, all of retention receivables, for which the Group’s entitlement to the consideration was conditional period, were reclassified to “contract assets” and disclosed in Note 17.

(c) Other receivables, prepayments and deposits

Other receivables and deposits as at 31 March 2019 and 2018 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.

As at 31 March 2018, the Group had a receivable from leasing of machineries of HK\$7,700,000 from an independent third party. Upon adoption of HKFRS 9, 12 months ECLs was determined based on historical settlement records and past experience with this customer as well as credit risk and other market factors. This result in the recognition of ECLs of approximately HK\$1,422,000 on 1 April 2018 and opening adjustment was made accordingly. As at 31 March 2019, the recognition of ECLs decreased to approximately HK\$1,348,000.

20. CASH AND CASH EQUIVALENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

21. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Current:		
Trade payables (Note (a))	11,528	26,683
Other payables and accruals (Note (b))	5,747	1,566
	17,275	28,249
Non-current:		
Other payables (Note (c))	13,301	12,703

Note:

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

	2019 HK\$'000	2018 HK\$'000
Current or less than 1 month	4,712	2,259
1 to 3 months	3,627	16,337
More than 3 months but less than one year	690	4,683
More than one year	2,499	3,404
	11,528	26,683

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 advances from Mr. Tse Chun Kit, a director of Pak Wing Construction who resigned as an executive director of the Company on 19 May 2017. The loans with a carrying amount of approximately HK\$11,763,000 (2018: 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 payables of approximately HK\$1,538,000 (2018: HK\$1,129,000) represents accrued loan interest and other cash advances to Pak Wing Construction, a wholly-owned subsidiary of the Company, and the cash advances are unsecured, interest-free and repayable on demand. Mr. Tse Chun Kit agreed not to demand repayment of the accrued interest and cash advances within twelve months from the end of the reporting period. Accordingly, the directors believe that the Group has an unconditional right to defer settlement of such amounts and therefore they are classified as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

22. AMOUNTS DUE TO AND LOANS FROM DIRECTORS

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

	2019 HK\$'000	2018 HK\$'000
Amounts due to directors		
Mr. Wong Chin To (Note (a))	1,476	1,028
Mr. Zhang Weijie (Note (a))	500	–
	1,976	1,028
Loans from directors		
Mr. Wong Chin To (Note (b))	13,263	13,167
Mr. Zhang Weijie (Note (c))	7,793	7,401
	21,056	20,568

Notes:

- (a) The balances are unsecured and interest-free. Mr. Wong Chin To and Mr. Zhang Weijie agreed not to demand repayment of the amounts due within twelve months from the end of the reporting period. Accordingly, the directors believe that the Group has an unconditional right to defer settlement of such amounts and therefore they are classified as non-current liabilities.
- (b) During the year ended 31 March 2017, Mr. Wong Chin To, an executive director of the Company, granted a loan of HK\$5,000,000 to the Group, which 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, an executive director of the Company, granted a 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.
- (c) Mr. Zhang Weijie, being a controlling shareholder and an executive director of the Company, 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, interest-free and repayable in 2022. On initial recognition, the loans were stated at fair value 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 such fair value of approximately HK\$1,023,000, HK\$1,113,000, respectively, were accounted for as capital contributions from a shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

23. OBLIGATIONS UNDER FINANCE 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 2019			
Not later than one year	278	12	266
Later than one year and not later than two years	167	5	162
Later than two years and not later than five years	68	1	67
	513	18	495
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

(b) Operating leases – lessee

The Group leased its office premises 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:

	2019 HK\$'000	2018 HK\$'000
Not later than one year	1,600	2,354
Later than one year and not later than five years	644	1,843
	2,244	4,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

24. DEFERRED TAX

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

	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Total HK\$'000
At 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 and 1 April 2018	303	(1,877)	(1,574)
Credited to profit or loss for the year (Note 13)	–	831	831
At 31 March 2019	303	(1,046)	(743)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	303	303
Deferred tax liabilities	(1,046)	(1,877)
	(743)	(1,574)

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of certain unused tax losses amounting to approximately HK\$56,552,000 (2018: HK\$55,182,000) due to the unpredictability of future profit streams in the relevant entities. The tax losses arising from the operation do not expire under current tax legislation in the relevant tax jurisdiction.

25. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2018 and 31 March 2019	1,000,000,000	10,000
Issued and fully paid		
<i>Ordinary shares of HK\$0.01 each</i>		
At 31 March 2018 and 31 March 2019	800,000,000	8,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investments in subsidiaries		-	-
		-	-
Current assets			
Prepayment and deposit		185	304
Amount due from a subsidiary		1,847	20,327
Cash and cash equivalents		963	4,264
		2,995	24,895
Current liabilities			
Accruals and other payables		661	692
		661	692
Non-current liabilities			
Loans from a director		8,293	7,401
		8,293	7,401
NET (LIABILITIES)/ASSETS		(5,959)	16,802
EQUITY			
Share capital	24	8,000	8,000
Reserves	27	(13,959)	8,802
TOTAL EQUITY		(5,959)	16,802

On behalf of the Board of Directors

Zhang Weijie
Director

Wong Chin To
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

27. 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 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 and 1 April 2018	82,525	(75,859)	2,136	8,802
Loss for the year	–	(22,761)	–	(22,761)
At 31 March 2019	82,525	(98,620)	2,136	(13,959)

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) 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 of the Company as at 31 March 2019 and 2018 and Mr. Wong Chin To and Mr. Tse Chun Kit, the then former controlling shareholders of the Company, as at 31 March 2017, 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 Notes 21 and 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

28. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2019 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
Pak Wing Group Limited ("Pak Wing Group")	British Virgin Islands (the "BVI"), 14 May 2014, limited liability company	100%	–	100 ordinary shares of United States dollar ("US\$")1 each	Investment holding, Hong Kong
Unicorn World Holdings Limited ("Unicorn World")	BVI, 29 October 2014, limited liability company	100%	–	100 ordinary shares of US\$1 each	Investment holding, Hong Kong
Pak Wing Construction Company Limited ("Pak Wing Construction")	Hong Kong, 18 October 2011, limited liability company	–	100%	Ordinary shares of HK\$10,000	Foundation subcontractor, 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
Star Creation Global Limited	BVI, 3 January 2019, limited liability company	–	100%	100 ordinary shares of US\$1 each	Investment holding, Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

29. 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	2019 HK\$'000	2018 HK\$'000
Mrs. Wong Ching Nam (a)	Staff costs charged (a)	650	550

Note:

- (a) Mrs. Wong Ching Nam, the spouse of Mr. Wong, was employed and being paid for the year ended 31 March 2019 and 2018. 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.

30. 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, amounts due to directors 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's maximum exposure to credit risk is the carrying amounts of cash and bank balances, contract assets, and trade and other receivables. The Group has no concentration of credit risk from third party debtors.

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 contract assets) and deposits with banks.

The credit risk of Group's trade receivables and contract assets is concentrated, since approximately 84.9% of which was derived from five largest customers as at 31 March 2019 and 2018, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Largest customer	4,850	16,773
Five largest customers	12,625	24,686

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Note 19.

(i) Contract assets and trade receivables

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated on an individual customer basis, loss rates are assigned to the individual customer accounts with reference to various factors, including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances, in order to estimate the ECLs.

The Group's exposure to credit risk and ECLs for trade receivables and contract assets were approximately HK\$265,000 and HK\$172,000, respectively, as at 31 March 2019

Expected loss rates are with reference to actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Contract assets and trade receivables (Continued)

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(e)B(ii)). At 31 March 2018, trade receivables of approximately HK\$693,000 was impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2019 HK\$'000
Neither past due nor impaired	4,660
Less than 1 month past due	2,818
1 to 3 months past due	671
More than 3 months past due but less than 12 months past due	803
	8,952

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Other receivables

The ECLs of other receivables are based on the 12-months ECLs that results from default events that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since its initial recognition, the loss allowance will be based on life-time ECLs. When determining whether the credit risk has been increased significantly since its initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis with reference to the Group's historical experience and informed credit assessment with forward-looking information. Applying the ECLs model result in the recognition of ECLs of HK\$1,422,000 on 1 April 2018, which decreased to HK\$1,348,000 at 31 March 2019.

Movement in the loss allowance account in respect of contract assets and trade and other receivables during the year is as follows:

	2019 HK\$'000
Balance at 31 March 2018 under HKAS 39	3,252
Impact of initial application of HKFRS 9 (note 2(a) A)	2,488
Adjusted balance at 1 April 2018	5,740
Written off recognised during the year	(2,932)
Reversal of impairment losses recognised	(1,023)
Balance at 31 March 2019	1,785

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.

(iii) Cash and banks

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

30. 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 2019				
Trade and other payables	30,576	30,836	17,876	12,960
Obligations under finance leases	495	512	279	233
Amounts due to directors	1,976	1,976	1,976	–
Loans from directors	21,056	26,333	1,091	25,242
	54,103	59,657	21,222	38,435
	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
Amounts due to directors	1,028	1,028	1,028	–
Loans from directors	20,568	24,182	591	23,591
	67,911	72,188	34,378	37,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

30. 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:

	2019 HK\$'000	2018 HK\$'000
Increase/(decrease) in profit for the year		
– as a result of 5% increase in interest rate	51	56
– as a result of 5% decrease in interest rate	(51)	(56)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Finance lease obligations (Note 23(a)) HK\$'000	Loans from directors (Note 22) HK\$'000	Amounts due to directors (Note 22) HK\$'000	Other payables (Note 21(c)) HK\$'000	Total HK\$'000
As at 1 April 2017	14,184	9,148	1,256	–	24,588
Changes from cash flows:					
Increase in amounts due to directors	–	–	1,131	–	1,131
Proceeds from loans from directors	–	17,900	–	–	17,900
Proceeds from loan from a former director	–	–	–	7,000	7,000
Repayment of obligations under finance leases	(8,821)	–	–	–	(8,821)
Interest paid	(537)	–	–	–	(537)
Total changes from financing cash flow	(9,358)	17,900	1,131	7,000	16,673
Other changes:					
Interest expenses	537	–	–	–	537
Transfer to loans from directors	–	230	(230)	–	–
Capital contribution from owners transferred to capital reserve	–	(2,136)	–	–	(2,136)
Transfer to other payables	–	(4,574)	(1,129)	5,703	–
As at 31 March 2018	5,363	20,568	1,028	12,703	39,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Finance lease obligations (Note 23(a)) HK\$'000	Loans from directors (Note 22) HK\$'000	Amounts due to directors (Note 22) HK\$'000	Other payables (Note 21(c)) HK\$'000	Total HK\$'000
As at 1 April 2018	5,363	20,568	1,028	12,703	39,662
Changes from cash flows:	-	-	-	-	-
Increase in amounts due to directors	-	-	373	-	373
Repayment of obligations under finance leases	(4,868)	-	-	-	(4,868)
Interest paid	(90)	-	-	598	(508)
Total changes from financing cash flow	(4,958)	-	373	598	(3,987)
Other change:					
Interest expenses	90	488	575	-	1,153
As at 31 March 2019	495	21,056	1,976	13,301	36,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

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 payable (non-current) and less cash and cash equivalents. Capital represents the total of equity and net debt of the Group.

	2019 HK\$'000	2018 HK\$'000
Total debt	36,828	39,662
Less: Cash and cash equivalents	(10,199)	(11,110)
Net debt	26,629	28,552
Capital	19,150	29,946
Gearing ratio	139%	95%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2019

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019 Carrying amount and fair value HK\$'000	2018 Carrying amount and fair value HK\$'000
Financial assets		
– amortised cost:		
Trade and other receivables	21,757	–
Cash and cash equivalents	10,199	–
– loans and receivables:		
Trade and other receivables	–	42,631
Cash and cash equivalents	–	11,110
	31,956	53,741
Financial liabilities at amortised cost		
Trade and other payables	30,576	40,952
Amounts due to directors	1,976	1,028
Obligations under finance leases	495	5,363
Loans from directors	21,056	20,568
	54,103	67,911

34. COMMITMENTS

As at 31 March 2019, the Group did not have any capital commitment (2018: 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 21 June 2019.

SUMMARY OF FINANCIAL INFORMATION

For the five years ended 31 March 2015, 2016, 2017, 2018 and 2019

RESULTS

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Total revenue	98,175	125,448	137,310	107,306	130,791
(Loss)/profit before income tax	(7,216)	(23,532)	(28,688)	(24,820)	15,672
Income tax	831	(1,384)	(240)	2,589	(3,798)
(Loss)/profit and total comprehensive income for the year	(6,385)	(24,916)	(28,928)	(22,231)	11,874
ASSETS AND LIABILITIES					
Total assets	47,670	71,182	83,691	86,905	74,716
Total liabilities	55,149	(69,788)	(59,517)	(34,785)	(31,163)
Net (liabilities)/assets	(7,479)	1,394	24,174	52,120	43,553