



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
INTERIM
REPORT

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

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

FINANCIAL RESULTS

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	23,278	19,790	36,329	36,644
Cost of services		(22,497)	(22,656)	(36,512)	(37,515)
Gross profit/(loss)		781	(2,866)	(183)	(871)
Other income	5	525	5,543	3,420	5,631
Administrative expenses		(2,694)	(4,025)	(5,506)	(7,779)
Finance costs	6	(267)	(287)	(514)	(611)
Loss before income tax	7	(1,655)	(1,635)	(2,783)	(3,630)
Income tax	8	27	457	38	348
Loss and total comprehensive income for the period attributable to the owners of the Company		(1,628)	(1,178)	(2,745)	(3,282)
Loss per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	9	(0.204)	(0.147)	(0.343)	(0.410)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	8,136	9,165
Right-of-use assets		1,006	–
Deferred tax assets		303	303
		9,445	9,468
Current assets			
Contract assets	12	3,251	5,927
Trade and other receivables	13	29,114	22,076
Cash and cash equivalents		5,739	10,199
		38,104	38,202
Current liabilities			
Trade and other payables	14	20,353	17,275
Obligations under finance leases		–	266
Lease liabilities		567	–
		20,920	17,541
Net current assets			
		17,184	20,661
Total assets less current liabilities			
		26,629	30,129
Non-current liabilities			
Obligations under finance leases		–	229
Lease liabilities		562	–
Amounts due to directors	15	3,231	1,976
Loans from directors	15	21,056	21,056
Other payables		10,996	13,301
Deferred tax liabilities		1,008	1,046
		36,853	37,608
NET LIABILITIES			
		(10,224)	(7,479)
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	8,000	8,000
Reserves		(18,224)	(15,479)
TOTAL EQUITY			
		(10,224)	(7,479)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	
As at 1 April 2019 (Audited)	8,000	82,525	(51,705)	(49,417)	3,118	(7,479)
Loss and total comprehensive income for the Relevant Period	-	-	-	(2,745)	-	(2,745)
As at 30 September 2019 (Unaudited)	8,000	82,525	(51,705)	(52,162)	3,118	(10,224)
As at 1 April 2018 (Audited)	8,000	82,525	(51,705)	(40,544)	3,118	1,394
Loss and total comprehensive income for the period	-	-	-	(3,282)	-	(3,282)
As at 30 September 2018 (Unaudited)	8,000	82,525	(51,705)	(43,826)	3,118	(1,888)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(2,023)	(1,655)
Net cash generated from investing activities	477	4,337
Net cash used in financing activities	(2,914)	(4,285)
Net decrease in cash and cash equivalents	(4,460)	(1,603)
Cash and cash equivalents at beginning of the period	10,199	11,110
Cash and cash equivalents at end of the period	5,739	9,507

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial statements for the Relevant Period has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should read in conjunction with the consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

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

For the purpose of preparing and presenting the financial information of the condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2019. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

Change in the accounting policies

HKFRS 16 — Leases

HKFRS 16 Leases ("**HKFRS 16**") supersedes HKAS 17 Leases ("**HKAS 17**") and related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The lease liability should be recognised at the present value of the lease payments that are not paid at the date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The adoption of HKFRS 16 did not result in a significant impact on the Group's results but certain portion of these lease commitments was recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities at 1 April 2019. The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and recognised the cumulative effect of initial application to opening retained earnings at 1 April 2019 without restating the comparative information.

The Group elected to use the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17. Therefore, the Group did not reassess whether a contract is, or contains, a lease which already existed prior to the date of initial application. Therefore, the definition of a lease under HKFRS 16 was applied only to the contracts entered into or changed on or after 1 April 2019. The Group also elected the practical expedients to apply a single discount rate to a portfolio of leases with reasonably similar characteristics on transition and excluded the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

For the leases previously classified as operating leases, the Group recognises a lease liability, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 April 2019. The Group applied the practical expedient not to recognise right-of-use assets and lease liabilities in respect of land and building that had a lease term of 12 months or less at 1 April 2019. The Group recognises the lease payments associated with these leases as the expenses related to short-term leases on a straight-line basis over the lease term.

For the leases previously classified as finance leases under HKAS 17, the carrying amount of the right-of-use asset and the lease liabilities at 1 April 2019 shall be the carrying amount of the lease asset and lease liabilities immediately before that date measured applying HKAS 17.

The reconciliation of operating leases commitment and obligations under finance leases disclosed as at 31 March 2019 to lease liabilities at 1 April 2019 is set out below:

	HK\$'000 (Unaudited)
Operating lease commitments disclosed as at 31 March 2019	2,244
Less: Recognition exemption — short-term leases	(1,158)
Gross operating lease obligations	1,086
Discounting	(69)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,017
Add: Obligations under finance leases under HKAS 17 as at 31 March 2019	495
Lease liabilities at 1 April 2019	1,512
Analysed as:	
Current portion of lease liabilities	664
Non-current portion of lease liabilities	848
	1,512

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	HK\$'000 (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	1,017
Amounts included in property, plant and equipment under HKAS 17	
— Assets previously under finance leases	779
Right-of-use assets at 1 April 2019	1,796
By class:	
Land and buildings	1,017
Motor vehicles	313
Machineries	466
	1,796

The adoption of HKFRS 16 has no material effect on the adjustments to the opening balance of the retained earnings at 1 April 2019 in the condensed consolidated statement of changes in equity. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019 due to the impact of the transition to HKFRS 16. Line items that were not affected by the changes have not been included.

Condensed consolidated statement of financial position as at 1 April 2019	As originally stated HK\$'000 (Unaudited)	Impact of transition to HKFRS 16 HK\$'000 (Unaudited)	As adjusted HK\$'000 (Unaudited)
Property, plant and equipment	9,165	(779)	8,386
Right-of-use assets	–	1,796	1,796
Finance lease obligations	(495)	495	–
Lease liabilities	–	(1,512)	(1,512)
Net assets	8,670	–	8,670

3. ESTIMATES

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

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

4. REVENUE AND SEGMENT INFORMATION

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

Operating segment

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

Geographical information

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

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	–	5,419	1,569	5,419
Rental income from leasing machinery	333	67	705	155
Others	192	57	1,146	57
	525	5,543	3,420	5,631

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on finance leases	–	15	–	71
Interest on lease liabilities	27	–	31	–
Interest on loans from directors	145	164	288	289
Interest on loan from a former director	95	108	195	251
	267	287	514	611

7. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	6,343	7,366	11,656	13,545
Gain on disposal of property, plant & equipment, net	–	(5,416)	(1,569)	(5,416)
Depreciation				
— Property, plant and equipment	814	1,975	1,807	4,719
— Right-of-use assets	162	–	324	–

8. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax for the period:				
Hong Kong profits tax	–	–	–	–
Deferred tax	27	457	38	348
	27	457	38	348

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

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(2,745)	(3,282)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2019 and 2018.

10. DIVIDEND

The Board does not recommend the payment of interim dividend for the Relevant Period (2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired property, plant and equipment amounting to approximately HK\$2,056,000 (for the six months ended 30 September 2018: approximately HK\$5,365,000) and disposal of property, plant and equipment with aggregate cost of approximately HK\$5,500,000 (for the six months ended 30 September 2018: approximately HK\$11,037,000).

12. CONTRACT ASSETS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Contract assets arising from:		
Construction services		
— Retention receivables from contracts with customers within the scope of HKFRS 15	3,423	6,099
Less: Provision for impairment	(172)	(172)
	3,251	5,927

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 30 September 2019 and 31 March 2019 are as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Within one year	3,251	5,927
Total contract assets	3,251	5,927

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

	HK\$'000
At 1 April 2018	11,599
Addition during the year	5,896
Received during the year	(11,769)
Reversal of provision for impairment	201
As at 31 March 2019	5,927
Addition during the Relevant Period	1,831
Received during the Relevant Period	(4,507)
As at 30 September 2019	3,251

An impairment analysis is performed at each reporting date using an individual customer basis to measure expected credit losses ("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:

	HK\$'000
At 1 April 2018 (Audited)	693
Reversal of impairment loss on contract assets	(521)
As at 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	172

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Gross carrying amount	3,423	6,099
Expected credit losses	172	172

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables (<i>Note (a)</i>)	20,489	9,217
Other receivables	9,236	13,486
Prepayments	187	319
Deposits	815	667
	30,727	23,689
Less: Expected credit losses	(1,613)	(1,613)
	29,114	22,076

Note:

(a) Trade receivables

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables, for gross (<i>note</i>)	20,489	9,217
Less: Expected credit loss	(265)	(265)
Trade receivables, net	20,224	8,952

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Less than 1 month	8,342	4,548
1 to 3 months	8,231	3,465
More than 3 months but less than one year	3,651	939
	20,224	8,952

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.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade payables	14,534	11,528
Other payables and accruals	5,819	5,747
	20,353	17,275

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Less than 1 month	6,909	4,712
1 to 3 months	4,556	3,627
More than 3 months but less than one year	818	690
More than one year	2,251	2,499
	14,534	11,528

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

15. AMOUNTS DUE TO AND LOANS FROM DIRECTORS

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Amounts due to directors		
Mr. Wong Chin To (Note (a))	1,794	1,476
Mr. Zhang Weijie (Note (a))	1,437	500
	3,231	1,976
Loans from directors		
Mr. Wong Chin To (Note (b))	13,263	13,263
Mr. Zhang Weijie (Note (c))	7,793	7,793
	21,056	21,056

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 year ended 31 March 2019. 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 proceeds 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.

16. SHARE CAPITAL

	Number	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018, 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018, 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	800,000,000	8,000

17. RELATED PARTY TRANSACTION

(a) Key management compensation

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries and benefits	770	1,417	1,580	2,831
Pension scheme contributions	11	22	25	45
	781	1,439	1,605	2,876

(b) Transactions

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

Name of related party	Nature of transaction	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Mrs. Wong Ching Nam (a)	Staff costs charged	300	300

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

During the Relevant Period, the Group recorded a decrease in turnover of approximately HK\$0.3 million or 0.9%. Its gross loss margin was approximately 0.5% as compared to gross loss margin 2.4% for the same period 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, due to a deteriorating economy caused by both worldwide and local issues, and failure in obtaining approval for the funding of public works projects, the Group's business is deeply affected. In addition, the competition remains very keen in the future due to the growing number of market players, 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

Turnover

The Group's revenue for the Relevant Period was approximately HK\$36.3 million, representing a decrease of approximately HK\$0.3 million or 0.9% as compared to the revenue for the six months ended 30 September 2018. The decrease was mainly due to the deterioration in economic environment and the lengthening of the funding approval process in the Legislative Council for the planned public works as a result of the persistent filibustering.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$0.2 million (2018: gross loss approximately HK\$0.9 million) and the gross loss margin was approximately 0.5% (2018: gross loss margin 2.4%). The improved gross profit margin was a result of a decrease in depreciation of machinery as some of the machines fully depreciated and disposal.

Administrative Expenses

The administrative expenses decreased by approximately HK\$2.3 million or 29.2% from HK\$7.8 million for the six months ended 30 September 2018 to HK\$5.5 million for the Relevant Period. The decrease was mainly due to a decrease in director's remuneration by approximately HK\$1.3 million and a decrease in depreciation included in administrative expenses by approximately HK\$0.3 million.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$2.7 million (2018: approximately HK\$3.3 million). Such decrease in loss was mainly due to the gross profit improved and a decrease in administrative expenses.

Liquidity, Financial Resources and Capital Structure

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

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Current assets	38,104	38,202
Current liabilities	20,920	17,541
Current ratio	1.82	2.18

The current ratio of the Group as at 30 September 2019 was approximately 1.82 times as compared to that of approximately 2.18 times as at 31 March 2019.

As at 30 September 2019, the Group had total cash and cash equivalents of approximately HK\$5,739,000 (31 March 2019: HK\$10,199,000).

As at 30 September 2019 and 31 March 2019, the Group had other payables (non-current), loan from directors and leases liabilities in total of approximately HK\$33.2 million and HK\$34.9 million respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Within 1 year	567	266
Between 1 and 2 years	562	162
Between 2 and 5 years	32,052	34,424
	33,181	34,852

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 lease liabilities, amounts due to directors, loans from directors and other payables (non-current) and less cash and cash equivalents. Capital represents the total of equity and net debt of the Group.

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Total debt	36,412	36,828
Less: Cash and cash equivalents	(5,739)	(10,199)
Net debt	30,673	26,629
Capital	20,449	19,150
Gearing ratio	150%	139%

Interim Dividend

The Board does not recommend the payment of interim dividend for the Relevant Period (2018: Nil).

Contingent Liabilities

As at 30 September 2019, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2019, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2019, the Group did not have any significant capital commitment.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Significant Investments Held by the Group

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

Future Plan for Material Investments and Capital Assets

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

Foreign Currency Risk

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

Employees and Remuneration Policy

As at 30 September 2019, the Group employed a total of 52 staff. The total employee remuneration, including remuneration of the Directors for the Relevant Period, amounted to approximately HK\$11.7 million.

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

Use of Proceeds from Placing

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

	Planned amount as stated in the Company's prospectus dated on 28 July 2015	Actual amount utilised up to 30 September 2019	Change of use of proceeds up to 30 September 2019	Actual balance as at 30 September 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Acquiring machinery	18,400	(14,400)	(4,000)	–
Strengthening our manpower	4,400	(4,400)	–	–
General working capital	1,500	(5,500)	4,000	–
	24,300	(24,300)	–	–

As at the date of this report, the net proceeds had been fully utilized.

OTHER INFORMATION

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

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

Interest and short position in ordinary shares of the Company

Name of Director	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (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 30 September 2019.

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

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

Save as disclosed above, as at 30 September 2019, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings or Rule 23.07 of the GEM Listing Rules.

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

As at 30 September 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 (Note 5)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000 (L)	75.0%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") (Notes 1 & 2)	Security interest	83,977,158 (S) 600,000,000 (L)	10.5% 75.0%
China Huarong (Macau) International Company Limited ("China Huarong International") (Note 2)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") (Note 2)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Huarong Real Estate Co., Limited ("Huarong Real Estate") (Note 2)	Interest of a controlled corporation	600,000,000 (L)	75.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") (Note 2)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Ministry of Finance of the People's Republic of China ("Ministry of Finance") (Note 2)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Freeman Union Limited ("Freeman Union") (Note 3)	Beneficial owner	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%
Freeman United Investments Limited ("Freeman United Investments") (Note 3)	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%
Ambition Union Limited ("Ambition Union") (Note 3)	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%
Freeman Corporation Limited ("Freeman Corporation") (Note 3)	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 5)
Freeman Financial Investment Corporation (" Freeman Financial Investment ") (Note 3)	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%
Freeman Fintech Corporation Limited (" Freeman Fintech Corporation ") (Note 3)	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.95% 7.95%
Prosper Talent Limited (" Prosper Talent ") (Note 4)	Person having a security interest in shares	63,660,000 (L)	7.96%
CCBI Investments Limited (" CCBI Investments ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%
CCB International (Holdings) Limited (" CCB International ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%
CCB Financial Holdings Limited (" CCB Financial ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%
CCB International Group Holdings Limited (" CCB International Group ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%
China Construction Bank Corporation (" China Construction Bank ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%
Central Huijin Investment Ltd. (" Central Huijin ") (Note 4)	Security interest of a controlled corporation	63,660,000 (L)	7.96%

(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.

4. Based on the notification filed to the Company, Freeman Fintech Corporation pledged 63,660,000 shares to Prosper Talent. Prosper Talent is a wholly owned subsidiary of CCBI Investments, which in turn is a wholly owned subsidiary of CCB International, which in turn is a wholly owned subsidiary of CCB Financial, which in turn is a wholly owned subsidiary of CCB International Group, which in turn is a wholly owned subsidiary of China Construction Bank, which is 57.11% held by Central Huijin. Therefore, CCBI Investments, CCB International, CCB Financial, CCB International Group, China Construction Bank and Central Huijin are deemed to be interested in the 63,660,000 shares of the Company held by Prosper Talent.
5. The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 September 2019.

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. To the best knowledge of the Board, the Company had complied with all applicable code provisions as set out in the CG Code during the Relevant Period.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 6 July 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yang Zida. The other members are Ms. Li Huanli and Mr. Lee Man Yeung. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group’s financial reporting matters to the Board.

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

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

Hong Kong, 11 November 2019

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