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

2020 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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Lee Man Yeung
Mr. Sai Chun Yu (appointed on 29 April 2020)
Mr. Lee Yan Sang (appointed on 29 April 2020)
Mr. Yang Zida (resigned on 29 April 2020)
Ms. Li Huanli (resigned on 31 January 2020)

AUDIT COMMITTEE

Mr. Sai Chun Yu *(Chairman)*
(appointed on 29 April 2020)
Mr. Lee Man Yeung
Mr. Lee Yan Sang (appointed on 29 April 2020)
Mr. Yang Zida *(Chairman)* (resigned on 29 April 2020)
Ms. Li Huanli (resigned on 31 January 2020)

REMUNERATION COMMITTEE

Mr. Lee Man Yeung *(Chairman)*
Mr. Sai Chun Yu (appointed on 29 April 2020)
Mr. Lee Yan Sang (appointed on 29 April 2020)
Ms. Li Huanli *(Chairlady)* (resigned on 31 January 2020)
Mr. Yang Zida (resigned on 29 April 2020)

NOMINATION COMMITTEE

Mr. Lee Man Yeung *(Chairman)*
Mr. Wong Chin To
Mr. Sai Chun Yu (appointed on 29 April 2020)
Mr. Lee Yan Sang (appointed on 29 April 2020)
Ms. Li Huanli *(Chairlady)* (resigned on 31 January 2020)
Mr. Yang Zida (resigned on 29 April 2020)

AUTHORISED REPRESENTATIVES

Mr. Wong Chin To
Ms. Li On Lok

AUDITOR

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

Ocorian 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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Ms. Li On Lok

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 2020 (the "Year").

REVIEW

The Group is principally engaged in the foundation works business as a subcontractor in Hong Kong. Our 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 construction operation generated a revenue amounting approximately HK$99,833,000 (2019: HK$98,175,000). As at 31 March 2020, the total value of contracts on hand amounted to approximately HK$147,100,000 with approximately HK$101,655,000 worth of contracts being ongoing.

During the Year, the Group disposed certain machineries in order to improve its cash flow and reduce the cost of services such as the repair and maintenance cost and depreciation cost amounted to approximately HK$6,000,000.

PROSPECT

During the Year, the uncertain economic and political environment in Hong Kong and worldwide will no doubt continue to pose significant challenges for construction industry. The foundation remained highly competition in the Year due to a large number of active subcontractors in the market, resulting in overall tender prices and have an effect on our gross profit margin.

Despite the uncertainty of environment, the Group's performance is relatively stable under the current business environment. 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, 19 June 2020

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 an increase in turnover of approximately HK$1,658,000 or 1.7%. Its gross loss margin was approximately 4.9% as compared to gross loss margin 4.0% for the year in 2019. The Group's performance is relatively stable under the current business environment, even environment of construction industry has been adversely impacted by the social unrest and suspension of Legislative Council funding approval meeting resulting in no major infrastructure projects approved by the government during the year ended 31 March 2020. However, the competition remains very keen due to the growing number of market players, the construction costs continue to rise as the labour shortages, increasingly stringent regulatory controls and rising construction material and operation costs, which are deeply affected our Group's gross profit margin. 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 players. 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$99,833,000, representing an increase of approximately HK$1,658,000 or 1.7% as compared to the revenue for the year ended 31 March 2019. The increase in revenue was primarily due to the increase in a number of projects tendered by the Group during the Year.

GROSS LOSS AND GROSS LOSS MARGIN

For the Year, the Group recorded a gross loss of approximately HK$4,860,000 (2019: gross loss of approximately HK$3,920,000) and the gross loss margin was approximately 4.9% (2019: gross loss margin of 4.0%). The gross loss and gross loss margin of the Group for the year ended 31 March 2020 was due to the generally lower profit margins of work performed and increasing competition in the construction industry.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by approximately HK$2,569,000 or 16.5% from approximately HK$15,583,000 for the year ended 31 March 2019 to approximately HK$18,152,000 for the Year. The increase was mainly due to the provision for impairment loss on trade and other receivables by approximately HK$6,415,000 incurred and a decrease in salaries and allowances amounted to approximately HK$3,300,000 during the Year.

FINANCE COSTS

Finance costs decreased by approximately HK$118,000 or 6.7% from approximately HK$1,751,000 for the year ended 31 March 2019 to approximately HK$1,633,000 for the Year. The decrease was mainly due to a decrease in interest on loan from a former director of the Company.

LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net loss and total comprehensive income for the Year was approximately HK$7,207,000 (2019: approximately HK$6,385,000). Such increase was mainly due to the increase in gross loss and increase in administration expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM on 10 August 2015 ("Listing"). 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.

	2020 **HK$'000**	2019 HK$'000
Current assets	**46,405**	38,202
Current liabilities	**37,144**	17,541
Current ratio	**1.25**	2.18

The current ratio of the Group as at 31 March 2020 was approximately 1.25 times as compared to that of approximately 2.18 as at 31 March 2019.

As at 31 March 2020, the Group had total cash and cash equivalents of approximately HK$14,561,000 (2019: approximately HK$10,199,000).

As at 31 March 2020 and 31 March 2019, the Group had non-current other payables, loans from directors and lease liabilities/obligations under finance leases in total of approximately HK$38,482,000 and HK$35,902,000 respectively. The scheduled repayment date of the Group were as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**2,670**	266
Between one and two years	**12,781**	162
Between two and five years	**23,031**	35,474
	38,482	35,902

GEARING RATIO

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, obligations under finance leases, 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 debts of the Group.

	2020	2019
	HK$'000	HK$'000
Total debt	**41,256**	36,828
Less: Cash and cash equivalents	**(14,561)**	(10,199)
Net debt	**26,695**	26,629
Capital	**12,009**	19,150
Gearing ratio	**222%**	139%

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 96.7% of which was derived from five major customers as at 31 March 2020 (2019: approximately 82.4%). 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 any final dividend for the Year (2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2020.

PLEDGE OF ASSETS

As at 31 March 2020, the Group had no assets pledged for bank borrowings or for other purpose.

CAPITAL COMMITMENTS

As at 31 March 2020, 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 2020.

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 2020, the Group employed a total of 60 staff. The total employee remuneration, including remuneration of the Directors, for the Year amounted to approximately HK$26,500,000.

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 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$24,300,000. On 19 September 2016, the Group resolved to change the proposed use of the net proceeds from the Listing, details of which are set out in the announcement of the Company dated 19 September 2016.

	Planned amount as stated in the Company's prospectus dated on 28 July 2015 HK$'000	Actual amount utilised up to 31 March 2020 HK$'000	Change of use of proceeds up to 31 March 2020 HK$'000	Actual balance as at 31 March 2020 HK$'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 disclosed in the announcement of the Company dated 19 September 2016, in view that the Group has subcontracted a number of its projects to its subcontractors and that the growth of the foundation industry is not as encouraging as expected, the Board considers that the capacity of the Group's machinery would be sufficient to handle its current and upcoming projects and that slowing down the pace of acquiring machinery can avoid unnecessary depreciation and maintenance costs. Therefore, the intended use of the net proceeds for acquiring machinery of approximately HK$18,400,000 was changed to HK$14,400,000 and the intended use of the net proceeds for general working capital of approximately HK$1,500,000 was changed to HK$5,500,000.

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

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.

(viii) Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots and other disasters which are beyond the Group's control may reduce the number of workdays and may incur additional operational costs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group's customers are principally main contractors and subcontractors of construction projects in the private and public sectors. During the Year, the Group generated revenue from a total of 12 customers, among which, our five largest customers accounted for approximately 94.5% (2019: 93.5%) for the Year of our total revenue, and our largest customer accounted for approximately 32.1% (2019: 47.3%) of our total revenue for the Year. The Group generated approximately 35.5% of our revenue from 5 new customers for the Year (2019: 54.6% of our revenue from 8 new 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 years ended 31 March 2020 and 2019.

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 22.3% and 31.4% of our total costs of services for the years ended 31 March 2020 and 2019 respectively. Our largest subcontractors accounted for approximately 3.0% of our total costs of services for the Year (2019: 11.1%). Our five largest subcontractors accounted for approximately 11.4% of our total costs of services for the Year (2019: 28.0%).

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 hand a material impact on the Group business, financial condition or results of operations. The Group has not set up any trade union for its employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHANG Weijie ("**Mr. Zhang**"), aged 30, 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 ("**Mr. Wong**"), aged 41, 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 ("**Mr. Duan**"), aged 37, 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 was 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) until January 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SAI CHUN YU ("**Mr. Sai**"), aged 39, was appointed as an independent non-executive Director on 29 April 2020. Mr. Sai is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Sai obtained a Bachelor of Business Administration (majoring in professional accountancy) degree at the Chinese University of Hong Kong in 2002. He is a fellow member of the Association of Chartered Certified Accountants, a practising member of the Hong Kong Institute of Certified Public Accountants and an ordinary member of the Society of Chinese Accountants and Auditors.

Mr. Sai has over 17 years of experience in accounting and audit. He has been a president partner of CCS & Company, Certified Public Accountants since March 2008, a sole proprietor of Wingate & Company, Certified Public Accountants since September 2009, a director of Manford CPA Limited, Certified Public Accountants since March 2013 and a director of Perfect Business Solutions Limited since April 2019. Mr. Sai has been an independent non-executive director of Best Pacific International Holdings Limited (stock code: 2111) since May 2014. He was also an independent non-executive director of China Gem Holdings Limited (formerly known as Yueshou Environmental Holdings Limited) (stock code: 1191) for the period from March 2012 to October 2014.

Mr. Sai worked at Ting Ho Kwan & Chan, Certified Public Accountants with his final position as an audit senior from August 2002 to February 2006. He worked at KPMG as an assistant manager of the audit department from March 2006 to August 2007.

Mr. LEE Man Yeung ("**Mr. Lee**"), aged 42, was appointed as an independent non-executive Director on 14 September 2018. Mr. Lee is a member of the Audit Committee, the Remuneration Committee and the Nomination 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.

Mr. LEE YAN SANG, aged 41, was appointed as an independent non-executive Director on 29 April 2020. Mr. Lee Yan Sang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

He obtained a Bachelor of Mechanical Engineering degree at Hong Kong Polytechnic University in 2003. He is a registered safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the laws of Hong Kong). Mr. Lee Yan Sang worked at Gammon Construction Limited as safety & health advisor from July 2008 to December 2012, MTR Limited as safety officer from December 2012 to December 2014 and Kei Fat Enterprise Co. as engineering manager from June 2015 to March 2020.

SENIOR MANAGEMENT

Mr. LAU Hon Ming, Hobby ("**Mr. Lau**"), aged 52, 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. He also obtained a Bachelor of Science with Honours (Construction Management) degree at the Birmingham City University of Hong Kong in 2018.

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

Year	**Employer**	**Last Position**
10/2016–12/2016	Shun Shing Constractors 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 ("**Ms. Li**"), 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 accounting, financial management and company secretarial affairs of the Group. Ms. Li was admitted as a member of Hong Kong Institute of Certified Public Accountants since October 2015 and also was admitted as a fellow of The Association of Chartered Certified Accountants since 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 14 years' experience in auditing, accounting and financial management. She commenced her career in auditing from 2004 to 2007. From 2007 to 2015, she worked at Poly Property Group Co., Limited, a company listed on the Stock Exchange (stock code: 119) as accountant.

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "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 and below, to the best knowledge of the Board, the Company had complied with the applicable code provisions of the Code.

Pursuant Code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors, including independent non-executive directors, without the executive directors' present. For the year ended 31 March 2020, the Chairman did not hold meetings with the independent non-executive Directors without the executive Director present, which deviates from Code provision A.2.7 due to the tight schedule of the chairman and independent non-executive Directors.

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. Sai Chun Yu, Mr. Lee Man Yeung and Mr. Lee Yan Sang.

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s). The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "Board Committees").

The biographical details of the Directors and other senior management are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16 of this annual report. Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3.1 of the Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition

The composition of the Board up to the date of this annual report is set out as follows:

Executive Directors

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

Independent non-executive Directors

Mr. Yang Zida	(resigned on 29 April 2020)
Ms. Li Huanli	(resigned on 31 January 2020)
Mr. Lee Man Yeung	
Mr. Lee Yan Sang	(appointed on 29 April 2020)
Mr. Sai Chun Yu	(appointed on 29 April 2020)

Reference is made to the announcement of the Company dated 31 January 2020 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the resignation of Ms. Li Huanli as an independent non-executive Director on 31 January 2020, 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 Yan Sang as the independent non-executive Director and a member of the Audit Committee and Mr. Sai Chun Yu as the independent non-executive Director and the chairman of the Audit Committee on 29 April 2020, 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 the executive Directors has entered into a service contract with the Company for a term of three years which may be terminated by not less than one month's notice in writing served by either party on the other and is subject to termination provisions therein and in the articles of association ("Articles") (save and except Mr. Wong who may be terminated by not less than three months' notice in writing).

Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for a term of three years which may be terminated by either party by giving one month's written notice.

According to our Articles, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and 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. Duan Ximing, Mr. Sai Chun Yu and Mr. Lee Yan Sang will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on 21 August 2020 pursuant to article 108(a) and 112 of our articles of association. Mr. Zhang Weijie, Mr. Duan Ximing, Mr. Sai Chun Yu and Mr. Lee Yan Sang, 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. Duan Ximing as executive Directors, Mr. Sai Chun Yu and Mr. Lee Yan Sang as independent non-executive Directors.

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. Sai Chun Yu, our independent non-executive Director, and other members include Mr. Lee Man Yeung and Mr. Lee Yan Sang our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise and following the appointment of Mr. Lee Yan Sang and Mr. Sai Chun Yu as the additional independent non-executive Directors and members of the Audit Committee on 29 April 2020, 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 2019 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 *(Chairman)* (resigned on 29 April 2020)	4/4
Ms. Li Huanli (resigned on 31 January 2020)	2/3
Mr. Lee Man Yeung	3/4
Mr. Lee Yan Sang (appointed on 29 April 2020)	N/A
Mr. Sai Chun Yu *(Chairman)* (appointed on 29 April 2020)	N/A

N/A represents not applicable

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 chairman of the Remuneration Committee is Mr. Lee Man Yeung, our independent non-executive Director, and other members include Mr. Sai Chun Yu and Mr. Lee Yan Sang, 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.

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

	Number of attendance/ number of meetings
Mr. Li Huanli *(Chairlady)* (resigned on 31 January 2020)	1/1
Mr. Yang Zida (resigned on 29 April 2020)	1/1
Mr. Lee Man Yeung *(Chairman)*	1/1
Mr. Lee Yan Sang (appointed on 29 April 2020)	N/A
Mr. Sai Chun Yu (appointed on 29 April 2020)	N/A

N/A represents not applicable

Nomination Committee

The Nomination Committee was established on 6 July 2015. The chairman of the Nomination Committee is Mr. Lee Man Yeung, and other members include Mr. Sai Chun Yu and Mr. Lee Yan Sang, 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
Mr. Lee Man Yeung *(Chairman)* (appointed on 31 January 2020)	N/A
Mr. Li Huanli *(Chairlady)* (resigned on 31 January 2020)	1/1
Mr. Wong Chin To	1/1
Mr. Yang Zida (resigned on 29 April 2020)	1/1
Mr. Lee Yan Sang (appointed on 29 April 2020)	N/A
Mr. Sai Chun Yu (appointed on 29 April 2020)	N/A

N/A represents not applicable

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 20 August 2019 ("2019 AGM") are set out below:

	Number of attendance	
Name of Directors	**Number of Board meetings**	**2019 AGM**
Executive Directors		
Mr. Zhang Weijie	4/4	X
Mr. Wong Chin To	3/4	√
Mr. Duan Ximing	2/4	X
Independent non-executive Directors		
Mr. Yang Zida (resigned on 29 April 2020)	4/4	X
Ms. Li Huanli (resigned on 31 January 2020)	2/3	√
Mr. Lee Man Yeung	3/4	√
Mr. Lee Yan Sang (appointed on 29 April 2020)	N/A	N/A
Mr. Sai Chun Yu (appointed on 29 April 2020)	N/A	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 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 Registrar of Companies in 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;
- 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	580
Non-audit services	–

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 Roma Risk Advisory Limited ("Roma") 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 Roma 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 Roma 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, 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.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there was no change in the constitutional documents.

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 2020 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.

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 111.

The Directors do not recommended any 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 112 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 2020 (2019: nil).

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 6 July 2015 (the "Scheme") pursuant to the written resolution of the shareholders of the Company on 6 July 2015 for the purpose of providing additional incentives eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group.

Details of the Scheme are as follows:

1.	Purpose of the Scheme	As incentive to eligible participants for their contribution to the Group and/or to enable the Group to attract and retain best available personnel that are valuable to the Group.
2.	Eligible participants to the Scheme	Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report	80,000,000 shares (equivalent to 10% of total issued share capital as at the date of this annual report).
4.	Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.

5.	The period within which the shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.
6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The remittance of HK$1.00 on or before the date of acceptance (which may not be later then seven days from the date of offer).
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the price highest of: a. the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; b. the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and c. the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 6 July 2015 (being the date of adoption of the Scheme).

No share option has been granted, exercised, cancelled, lapsed or forfeited under the Scheme since its adoption and up to the date of this report. As at 31 March 2020, there was no outstanding share option.

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	(resigned on 29 April 2020)
Ms. Li Huanli	(resigned on 31 January 2020)
Mr. Lee Man Yeung	
Mr. Lee Yan Sang	(appointed on 29 April 2020)
Mr. Sai Chun Yu	(appointed on 29 April 2020)

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.

PERMITTED INDEMNITY PROVISION

Every Director of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses and liabilities incurred or sustained by him/her as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

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 one month written notice (save and except Mr. Wong Chin To 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.

None of the Directors has any unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

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 10 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 2020, 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 2020, 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")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company 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 to Rule 5.68 of the GEM Listing Rules (the "Required Standard of Dealings") were 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 2020.

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 share held	Percentage of issued share
Mr. Zhang Weijie	Steel Dust Limited	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 2020, 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) which would have been to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO),or 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.

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

As at 31 March 2020, 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 were 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) 83,977,158 (S)	75.0% 10.5%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") *(Notes 1 & 2)*	Security interest	600,000,000 (L)	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)	7.96% 7.96%
Freeman United Investments Limited ("Freeman United Investments") *(Note 3)*	Interest of a controlled corporation	63,660,000 (L) 63,660,000 (S)	7.96% 7.96%

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

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

Notes:

1. On 30 August 2017, 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 Steel Dust. China Huarong Macau thus has security interest over these shares.

2. China Huarong Macau is wholly owned by China Huarong International. China Huarong International is owned as to 51% by Huarong (HK) Industrial. Huarong (HK) Industrial is wholly owned by Huarong Real Estate. Huarong Real Estate is wholly owned by China Huarong Asset, which is owned as to 65% by Ministry of Finance. Thus, China Huarong Macau, China Huarong International, Huarong (HK) Industrial, Huarong Real Estate, China Huarong Asset and Ministry of Finance are deemed to be interested in the 600,000,000 shares of the Company.

3. Freeman Union is the beneficial owner of 63,660,000 shares of the Company and is wholly owned by Freeman United Investments. Freeman United Investments is wholly owned by Ambition Union. Ambition Union is owned as to 76% by Freeman United Investments and as to 24% by Freeman Corporation. Freeman Corporation is wholly owned by Freeman Financial Investment. Freeman Financial Investment is wholly owned by Freeman Fintech Corporation. Therefore, Freeman United Investments, Ambition Union, Freeman Corporation, Freeman Financial Investment and Freeman Fintech Corporation are deemed to be interested in the 63,660,000 shares of the Company held by Freeman Union.

4. 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 31 March 2020.

Save as disclosed above, as at 31 March 2020, 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, 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 Tuesday, 18 August 2020 to Friday, 21 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 August 2020.

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 2020 and up to the date of this report.

DONATIONS

No donations had been made by the Group during the Year (2019: 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 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, 19 June 2020

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 111, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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 2020, which amounted to approximately HK$4,860,000 and HK$7,207,000, respectively. In addition, the Group had net liabilities of approximately HK$14,686,000 as at 31 March 2020. 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 modified 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$99,833,000 for the year ended 31 March 2020. As described in Note 4(h) to the consolidated financial statements, the Group recognises 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 estimates the revenue and budgeted costs at the commencement of construction contracts and regularly assesses the progress of foundation 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 includes 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 foundation 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 the bases of estimation of the budget revenue and costs as well as the progress towards completion of the contracts and evaluating reasonableness thereof;

— Assessing reasonableness of revenue recognised and the progress towards completion of the contracts by reference to the relevant payment certificates issued by customers;

— 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 contract to assess whether expected loss on contracts has been properly recognised.

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

As set out in Notes 19 and 17 to the consolidated financial statements as at 31 March 2020, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$18,186,000 (after the provision of HK$1,457,000) and HK$6,258,000 (after the provision of HK$359,000), respectively, which represent approximately 30% and 10% respectively of the Group's total assets.

In general, the credit terms granted 30 days by the Group to the customers. Management performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of provision for impairment based on 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, challenging assumptions and data used in estimating ECLs, including testing the accuracy of historical data, evaluating whether 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 its 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 the 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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
LEE Alfred
Practising Certificate Number P04960

Hong Kong, 19 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**99,833**	98,175
Cost of services		**(104,693)**	(102,095)
Gross loss		**(4,860)**	(3,920)
Other income	8	**16,932**	14,038
Administrative expenses		**(18,152)**	(15,583)
Finance costs	11	**(1,633)**	(1,751)
Loss before income tax	9	**(7,713)**	(7,216)
Income tax credit	13	**506**	831
Loss and total comprehensive income for the year attributable to the owners of the Company		**(7,207)**	(6,385)
		HK cents	HK cents
Loss per share			
— Basic and diluted	15	**(0.90)**	(0.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**14,774**	9,165
Deferred tax assets	24	**–**	303
		14,774	9,468
Current assets			
Contract assets	17	**6,258**	5,927
Inventories	18	**4,907**	–
Trade and other receivables	19	**20,679**	22,076
Cash and cash equivalents	20	**14,561**	10,199
		46,405	38,202
Total assets		**61,179**	47,670
Current liabilities			
Trade and other payables	21	**34,372**	17,275
Obligations under finance leases	23	**–**	266
Lease liabilities	23	**2,670**	–
Provision for taxation		**102**	–
		37,144	17,541
Net current assets		**9,261**	20,661
Total assets less current liabilities		**24,035**	30,129
Non-current liabilities			
Obligations under finance leases	23	**–**	229
Amounts due to directors	22	**2,774**	926
Loans from directors	22	**24,220**	22,106
Other payables	21	**9,667**	13,301
Lease liabilities	23	**1,925**	–
Deferred tax liabilities	24	**135**	1,046
		38,721	37,608
NET LIABILITIES		**(14,686)**	(7,479)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
DEFICITS			
Equity attributable to owners of the Company			
Share capital	25	**8,000**	8,000
Reserves		**(22,686)**	(15,479)
TOTAL DEFICITS		**(14,686)**	(7,479)

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 2020

	Share capital HK$'000	Share premium* (Note 27(a)) HK$'000	Merger reserve* (Note 27(b)) HK$'000	Capital reserve* (Note 27(c)) HK$'000	Accumulated losses* (Note 27(d)) HK$'000	Total HK$'000
As at 1 April 2018	8,000	82,525	(51,705)	3,118	(43,032)	(1,094)
Loss and total comprehensive income for the year	–	–	–	–	(6,385)	(6,385)
As at 31 March 2019 and 1 April 2019	8,000	82,525	(51,705)	3,118	(49,417)	(7,479)
Loss and total comprehensive income for the year	–	–	–	–	(7,207)	(7,207)
As at 31 March 2020	**8,000**	**82,525**	**(51,705)**	**3,118**	**(56,624)**	**(14,686)**

* These reserve accounts comprise the consolidated reserves of approximately HK$22,686,000 in the consolidated statement of financial position as at 31 March 2020 (2019: HK$15,479,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before income tax		**(7,713)**	(7,216)
Adjustments for:			
Depreciation of property, plant and equipment	9	**4,619**	8,348
Finance costs	11	**1,633**	1,751
Reversal of impairment loss on retention receivables	9	**–**	(320)
Gain on disposal of property, plant and equipment	8	**(15,173)**	(12,510)
Provision for/(reversal) of impairment loss on trade receivables	9	**1,192**	(428)
Provision for/(reversal) of impairment loss on contract assets	9	**187**	(201)
Reversal of impairment loss on other receivables	9	**5,223**	(74)
Operating loss before working capital changes		**(10,032)**	(10,650)
(Increase)/decrease in contract assets		**(518)**	6,193
Increase in inventories		**(4,907)**	–
(Increase)/decrease in trade and other receivables		**(5,018)**	7,630
Increase/(decrease) in trade and other payables		**17,097**	(10,975)
Net cash used in operating activities		**(3,378)**	(7,802)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(7,476)**	(17,585)
Proceeds from disposal of property, plant and equipment		**17,834**	29,061
Net cash generated from investing activities		**10,358**	11,476
Cash flows from financing activities			
(Decreased)/increase in other payables		**(4,087)**	–
Increase in amounts due to directors		**1,848**	373
Proceeds from loans from directors		**1,000**	–
Repayment of obligations under finance leases/lease liabilities		**(1,313)**	(4,868)
Interest paid		**(66)**	(90)
Net cash used in financing activities		**(2,618)**	(4,585)
Net increase/(decrease) in cash and cash equivalents		**4,362**	(911)
Cash and cash equivalents at beginning of the year		**10,199**	11,110
Cash and cash equivalents at end of the year		**14,561**	10,199

1. GENERAL

Pak Wing Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") 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 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 is 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company and 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 2019

The Hong Kong Institute of Certified Public Accountants ("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:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below, the application of the new HKFRSs and amendment to HKFRSs in the current year has had no material impact on the Group's accounting policies.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases — Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle being for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

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 prepayment or accrued lease payment 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.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following table summarises the impact of transition to HKFRS 16 on the consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows:

	HK$'000
Rights-of-use assets	
Closing balance under HKAS 17 at 31 March 2019	–
— Carrying amounts of property, plant and equipment held under finance leases under HKAS 17 at 31 March 2019	779
— Recognition of additional right-of-use assets under HKFRS16	1,017
Opening balance under HKFRS 16 at 1 April 2019	1,796
Lease liabilities	
— Carrying amounts of property, plant and equipment held under finance leases under HKAS 17 at 31 March 2019	495
— Recognition of additional lease liabilities under HKFRS 16	1,017
Opening balance under HKFRS 16 at 1 April 2019	1,512

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as of 1 April 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 March 2019	2,244
Less: short-term leases for which lease terms end within 31 March 2020	(1,158)
Less: future interest expenses	(69)
Add: finance leases liabilities as of 1 April 2019	495
Total lease liabilities as of 1 April 2019	1,512

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is approximately 5%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term less than 12 months and for low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. 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 the 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 in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its machineries to a tenant. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have any significant impact on these financial statements.

(v) Transition

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 without retaining the comparative information.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2019 (Continued)

HKFRS16 — Leases (Continued)

(v) Transition (Continued)

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating leases under HKAS 17. The Group measures the right-of-use assets at an amount equal to the lease liability adjusted by the amount of any prepaid or occurred lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased majority of its motor vehicles and machineries which were previously classified as assets under finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 April 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 April 2019.

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

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated 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.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Lease — Covid-19-Related Rent Concessions[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 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 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 — Covid-19-Related Rent Concessions

The amendments to HKFRS 16 exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. The amendments apply to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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 of Hong Kong Limited.

(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 of approximately HK$4,860,000 and generated a net loss of approximately HK$7,207,000 for the year ended 31 March 2020. In addition, the Group had net liabilities of approximately HK$14,686,000 as at 31 March 2020. The Group is dependent on its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. 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.

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 2021 (the "Forecasted Period"), with the consideration of the factors that may have an impact on the local economy of Hong Kong and the Groups' operating environment, 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 2020, after taking into account the following:

(i) the Group has undertaken certain measures to improve its business performance so as to enable the Group to generate sufficient working capital during the Forecasted Period, which comprised bidding more lucrative projects, reducing staff costs, other operating costs to the extent that the operations of the Group will not be significantly affected, as well as machinery maintenance and storage costs.

(ii) 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 2020, have agreed in writing not to demand repayment of the amounts due from Pak Wing Construction amounting to HK$537,000 and HK$713,000, respectively, as at 31 March 2020, within twelve months from the end of the reporting period. Further, both Mr. Wong and Mr. Tse agreed to grant further extension of the non-current loans they provided to Pak Wing Construction in amounts of HK$14,365,000 and HK$7,665,000, respectively, as at 31 March 2020 until Pak Wing Construction is able to meet its obligations (see Note 22 and Note 21(c).

3. BASIS OF PRESENTATION AND PREPARATION (Continued)

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

(iii) the Company's controlling shareholder, who was an executive director of the Company as at 31 March 2020, has agreed in writing to not to demand repayment of the amount due from the Group amounting to approximately HK$2,237,000 as at 31 March 2020, within twelve months from the end of the reporting period. Further, Mr. Zhang agreed to grant a further extension of the non-current loan he provided to the Group in an amount of HK$7,264,000 as at 31 March 2020 until the Group is able to meet its obligations (see Note 22).

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.

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 dates of acquisition or up to the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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.

(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, including right-of-use assets arising from leased building where the Group is not the registered owner of the property interest (see Note 4(d)(A)), 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 as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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
Leased building	Over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d) A Leasing (accounting policies applied from 1 April 2019)

Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term less than 12 months and for low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) A Leasing (accounting policies applied from 1 April 2019) (Continued)

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leased building which is held for own use under HKAS 16 and are amortised over the shorter of assets' useful life and the lease term on a straight-line basis.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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, the Group measures 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 in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its machineries to a tenant. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) B Leasing (accounting policies until 31 March 2019)

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.

Accounting as a 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 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.

Accounting as a lessor

The Group has leased out its machineries to a lessee. Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(e) Financial instruments

(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 fair value through profit or loss ("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 entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(i) Financial assets (Continued)

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.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("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 has established estimates lifetime ECLs on an individual customer basis that is 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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 realising 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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred, including 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, lease liabilities, obligations under finance leases, amounts due to directors and loans from directors 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(vi) Derecognition

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

(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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Revenue recognition

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)

(h) Revenue recognition (Continued)

(a) Provision of foundation construction services

The Group provides foundation 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 foundation construction service is recognised over time as the Group believes that, the foundation 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 foundation 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 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.

For the loss making contracts, when it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(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.

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 foundation 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.

(d) 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; and

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 property, plant and equipment, 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.

(j) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

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.

(l) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(m) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 consolidated financial statements prepared under HKFRS 8.

(o) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 judgements

(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 2021. Such forecast about the future inherently involves various assumptions and uncertainties. In the view of the directors of the Group, the directors assumed that (1) the Group has undertaken certain measures to improve its business performance so as to enable to the Group to generate sufficient working capital during the Forecast Period, which comprised bidding more lucrative projects, reducing staff costs, other operating costs to the extent that the operations of the Group will not be significantly affected, as well as machinery maintenance and storage costs; (2) the loans from controlling shareholder and executive director and former executive director would be granted further extension of the loans until the Group is able to meet its obligations; and (3) the amounts due from controlling shareholder and executive director and former executive director would not be repaid within twelve months from 31 March 2020. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

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 foundation construction services

The determination of the progress of the foundation construction services involves judgements and the Group recognises revenue based on survey of work performed which reflects 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 foundation construction works 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 fails 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 variables order ("VO") as variable consideration. These VOs are highly interrelated and regard as modification contract to former contract and accordingly the Group makes cumulative catch-up adjustments 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. The Group only records these approved VOs when the Group agrees and receives 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 of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of fair value less cost of disposal and the recoverable amount of the asset. This requires an estimation of 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

Management of the Group has determined the provision for the trade receivables by estimating a lifetime expected loss allowance for all trade receivables. The loss allowance for financial assets is 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 credit rating and reputation etc.) to the debtors and the economic environment.

(iv) 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.

(v) Lease term and discount rate determination

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

(b) Estimates and assumptions (Continued)

(vi) 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 profits 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.

6. SEGMENT INFORMATION

Operating segments

The Group is principally engaged in the provision of foundation business as a foundation subcontractor in Hong Kong. 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.

6. SEGMENT INFORMATION (Continued)

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:

	2020 HK$'000	2019 HK$'000
Customer A	**32,023**	N/A
Customer B	**24,444**	N/A
Customer C	**21,484**	N/A
Customer D	**13,985**	N/A
Customer E	**N/A**	46,473
Customer F	**N/A**	20,301
Customer G	**N/A**	17,119

N/A: The relevant revenue for the years ended 31 March 2020 and 2019, respectively, did not exceed 10% of the Group's revenue.

7. REVENUE

The Group's revenue represents amounts received and receivable from contract work performed and is recognised over time in accordance with accounting policy set out in Note 4(h) above for the years ended 31 March 2020 and 2019.

	2020 HK$'000	2019 HK$'000
Revenue recognised over time		
Foundation construction	**99,833**	98,175

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

	2020 HK$'000	2019 HK$'000
Trade receivables (Note 19(a))	**19,643**	9,217
Contract assets (Note 17)	**6,617**	6,099

7. REVENUE (Continued)

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 foundation business. 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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$101,655,000 (2019: 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 months.

The Group has applied the practical expedient to its contracts for foundation 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. During the years ended 31 March 2020 and 2019, the Group did not have any contracts with completion bonuses.

8. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Gain on disposal of property, plant and equipment	**15,173**	12,510
Rental income from leasing machinery	**1,172**	740
Reversal of impairment loss on retention receivables	**–**	320
Others	**587**	468
	16,932	14,038

9. LOSS BEFORE INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**580**	550
Depreciation of property, plant and equipment	**4,619**	8,348
Lease payments not included in the measurement of lease liabilities		
— Land and buildings	**1,158**	2,251
— Plant and equipment	**–**	5,373
Provision for/(reversal of) impairment loss on contract assets	**187**	(201)
Reversal of impairment loss on retention receivables	**–**	(320)
Provision for/(reversal of) impairment loss on trade and other receivables	**6,415**	(502)

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2020 HK$'000	2019 HK$'000
Wages, salaries and other benefits	**25,778**	31,992
Post-employment benefits — defined contribution retirement plan contributions	**722**	927
	26,500	32,919

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on loans from directors	**1,114**	1,063
Interest on loan from a former director	**453**	598
Interest on lease liabilities/finance leases	**66**	90
	1,633	1,751

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) 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 2020				
Executive directors:				
Mr. Wong Chin To	–	2,772	18	2,790
Mr. Zhang Weijie	–	160	5	165
Mr. Duan Ximing	–	40	2	42
	–	2,972	25	2,997
Independent non-executive directors (Note (v)):				
Ms. Li Huanli (Note (i))	–	100	5	105
Mr. Yang Zida (Note (ii))	–	120	6	126
Mr. Lee Man Yeung	–	120	6	126
	–	340	17	357
Total	–	3,312	42	3,354

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

(a) Directors' remuneration (Continued)

	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	–	627	18	645
Mr. Duan Ximing	–	360	17	377
	–	3,009	53	3,062
Independent non-executive directors:				
Mr. Lau Yik Lok (Note (iii))	–	50	3	53
Ms. Li Huanli	–	120	6	126
Mr. Yang Zida	–	120	6	126
Mr. Lee Man Yeung (Note (iv))	–	66	3	69
	–	356	18	374
Total	–	3,365	71	3,436

Notes:

(i) Ms. Li Huanli resigned from her position on 31 January 2020.

(ii) Mr. Yang Zida resigned from his position on 29 April 2020.

(iii) Mr. Lau Yik Lok resigned from his position on 31 August 2018.

(iv) Mr. Lee Man Yeung was appointed as an independent non-executive director on 14 September 2018.

(v) Mr. Sai Chun Yu and Mr. Lee Yan Sang were appointed as directors on 29 April 2020.

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

(b) 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 2020 (2019: 1), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**5,925**	5,377
Pension scheme contributions — defined contribution plans	**95**	81
	6,020	5,458

Their remuneration fell within the following bands:

	2020 No. of employees	2019 No. of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$2,000,000	**2**	2
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.

(c) Senior management's emoluments

The emoluments paid or payable to a member of senior management, other than the five highest paid employees were within the following bands:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**–**	1
More than HK$1,000,000	**1**	1

13. INCOME TAX CREDIT

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

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong profits tax		
— charge for the year	**(102)**	–
Deferred tax (Note 24)	**608**	831
Income tax credit	**506**	831

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2020. According to the Inland Revenue (Amendment) Bill 2017 (the "Bill") which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%.

No provision for Hong Kong profits tax was made for the year ended 31 March 2019 as the group entities which are subject to Hong Kong profits tax either incurred losses for the year or had tax losses brought forward to set off with the assessable profits for the year.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2019: Nil).

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

	2020 HK$'000	2019 HK$'000
Loss before income tax	**(7,713)**	(7,216)
Tax on loss before income tax, calculated at the applicable Hong Kong profits tax rates	**(1,375)**	(1,191)
Tax effect of non-deductible expenses	**1,959**	497
Tax effect on temporary difference not recognised	**1,559**	226
Utilisation of tax loss not recognised	**(289)**	–
Tax effect of non-taxable income	**(2,360)**	(363)
Income tax at the effective tax rate	**(506)**	(831)

14. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2020 and 2019.

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:

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share	**(7,207)**	(6,385)

	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 2020 and 2019. Accordingly, the diluted loss per share presented is the same as the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leased building HK$'000	Leasehold improvements HK$'000	Machineries HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 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
Initial application of HKFRS 16	1,017	–	–	–	–	1,017
At 1 April 2019	1,017	970	43,377	1,456	6,430	53,250
Additions	–	2,407	9,395	6	64	11,872
Disposals	–	–	(27,592)	–	(2,341)	(29,933)
At 31 March 2020	1,017	3,377	25,180	1,462	4,153	35,189
Accumulated depreciation						
At 1 April 2018	–	886	35,565	877	4,699	42,027
Charge 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
Initial application of HKFRS 16	–	–	–	–	–	–
At 1 April 2019	–	646	36,635	1,143	4,644	43,068
Charge for the year	414	195	2,987	217	806	4,619
Eliminated on disposals	–	–	(25,041)	–	(2,231)	(27,272)
At 31 March 2020	414	841	14,581	1,360	3,219	20,415
Net book value						
At 31 March 2020	603	2,536	10,599	102	934	14,774
At 31 March 2019	–	324	6,742	313	1,786	9,165

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets	**Leased building** HK$'000	**Machineries** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
At 1 April 2019 after application of HKFRS 16	1,017	466	313	1,796
Additions	–	4,396	–	4,396
Disposals	–	(146)	–	(146)
Depreciation	(414)	(535)	(235)	(1,184)
At 31 March 2020	603	4,181	78	4,862

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases (see Note 23).

	2019 HK$'000
Machinery	69
Motor vehicles	426
	495

Subsequently, the Group has disposed certain machineries without net book value at consideration of HK$2,300,000 to an independent third party on 15 April 2020.

17. CONTRACT ASSETS

	2020 **HK$'000**	2019 HK$'000
Contract assets arising from:		
Foundation construction services		
— Retention receivables from contracts with customers within the scope of HKFRS 15	**6,617**	6,099
Less: Provision for impairment	**(359)**	(172)
	6,258	5,927

17. CONTRACT ASSETS (Continued)

Foundation construction services

The Group's contract assets from foundation construction services represent the Group's right to consideration for foundation construction works completed but not yet billed to customers, or not yet become unconditional, at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issues progress billings to customer based on the progress certificate agreed with customer or when the retention receivable becomes unconditional. All contract assets are expected to be recovered or settled within one year. As at 31 March 2020, the increase in contract assets was resulted from the increase in the provision of foundation construction works at the end of the year.

As at 31 March 2020, contract assets include retention receivables held by customers for foundation construction works amount to approximately HK$6,258,000 (2019: HK$5,927,000). The Group typically agrees a 1-year retention period for 5% to 10% 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 satisfactory passing inspection.

The expected timing of recovery or settlement for contract assets as at 31 March 2020 and 2019 is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**6,258**	5,927

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

	2020 HK$'000	2019 HK$'000
At 1 April	**5,927**	11,599
Addition during the year	**6,631**	6,269
Transfer to trade receivables during the year	**(5,941)**	(11,769)
Provision for impairment	**(359)**	(172)
As at 31 March	**6,258**	5,927

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.

17. CONTRACT ASSETS (Continued)

Foundation construction services (Continued)

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

	2020 HK$'000	2019 HK$'000
At beginning of year	172	693
Provision for/(reversal) of impairment loss on contract assets	187	(521)
At end of year	359	172

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

	2020 HK$'000	2019 HK$'000
Gross carrying amount	6,617	6,099
Expected credit losses	359	172

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	4,907	–

The cost of inventories recognised as expense and included in 'cost of sales' amounted to approximately HK$37,221,000 (2019: HK$25,055,000).

19. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables (Note (a))	**19,643**	9,217
Other receivables (Note (b))	**8,043**	13,486
Prepayments (Note (b))	**177**	319
Deposits (Note (b))	**844**	667
	28,707	23,689
Less: Expected credit losses	**(8,028)**	(1,613)
	20,679	22,076

(a) Trade receivables

	2020 HK$'000	2019 HK$'000
Trade receivables, for gross (Note)	**19,643**	9,217
Less: Expected credit losses	**(1,457)**	(265)
Trade receivables, net	**18,186**	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 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 allowance, presented based on the invoice dates:

	2020 HK$'000	2019 HK$'000
Less than one month	**10,064**	4,548
One to three months	**6,417**	3,465
More than three months but less than one year	**1,610**	939
More than one year	**95**	–
	18,186	8,952

19. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Before accepting any new customer, the Group has assessed the potential customer's credit rating on individual basis. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

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

	2020 HK$'000	2019 HK$'000
Balance at 1 April	**265**	3,625
Written off of trade receivables	**–**	(2,932)
Provision for/(reversal of) impairment loss on trade receivables	**1,192**	(428)
Balance at 31 March	**1,457**	265

The Group periodically measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated individually after considering credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables.

(b) Other receivables, prepayments and deposits

As at 31 March 2020, the other receivables, prepayments and deposits mainly comprised (i) sales proceeds of machineries and motor vehicles of approximately HK$100,000 (2019: HK$6,086,000); (ii) advance payments to subcontractors of approximately HK$6,922,000 (2019: HK$6,665,000) (iii) rental receivables of approximately HK$418,000 (2019: HK$452,000); (iv) rental deposits of office, warehouse, carpark and machinery of approximately HK$490,000 (2019: HK$490,000); (v) other receivables of staff advance of approximately HK$182,000 (2019: HK$282,000); and (vi) prepayment of insurance of approximately HK$105,000 (2019: HK$104,000).

Upon adoption of HKFRS 9, except for rental receivables, the 12-month ECLs was determined based on historical settlement records and past experience with these debtors as well as credit risk and other market factors. As at 31 March 2020, the recognition of ECLs increased from HK$1,348,000 to HK$6,571,000 (2019: decreased from HK$1,422,000 to HK$1,348,000). Details of impairment assessment of other assets as at 31 March 2020 are set out in Note 30.

20. CASH AND CASH EQUIVALENTS

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

21. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Current:		
Trade payables (Note (a))	**26,325**	11,528
Other payables and accruals (Note (b))	**8,047**	5,747
	34,372	17,275
Non-current:		
Other payables (Note (c))	**9,667**	13,301

Notes:

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

	2020 HK$'000	2019 HK$'000
Current or less than one month	**8,856**	4,712
one to three months	**12,410**	3,627
More than three months but less than one year	**2,449**	690
More than one year	**2,610**	2,499
	26,325	11,528

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

(b) As at 31 March 2020, other payables and accruals mainly comprised (i) accrued expenses for subcontractors of approximately HK$4,159,000 (2018: HK$4,369,000); (ii) accrued salary and wages of approximately HK$2,515,000 (2019: HK$683,000) and (iii) accrued audit fee of approximately HK$580,000 (2019: HK$550,000). The balances of other payables and accruals 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 carrying amount of approximately HK$7,665,000 (2019: HK$11,763,000) are unsecured, carry fixed interest rates at a range of 3% to 5% per annum, and are repayable in June 2021 to September 2022. The remaining balance of payables represents accrued loan interest of HK$1,289,000 (2019: HK$937,000) which are repayable in June 2021 and September 2022 and other cash advances of HK$713,000 (2019: HK$601,000) from him to Pak Wing Construction 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 of the Company believe that the Group has an unconditional right to defer settlement of such amounts and therefore they are classified as non-current liabilities.

22. AMOUNTS DUE TO DIRECTORS AND LOANS FROM DIRECTORS

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

	2020 **HK$'000**	2019 HK$'000
Amounts due to directors		
Mr. Wong Chin To (Note (a))	**537**	415
Mr. Zhang Weijie (Note (a))	**2,237**	511
	2,774	926
Loans from directors		
Mr. Wong Chin To (Note (b))	**16,014**	14,313
Mr. Zhang Weijie (Note (c))	**8,206**	7,793
	24,220	22,106

Notes:

(a) The balances are unsecured and interest-free. Mr. Wong Chin To and Mr. Zhang Weijie agreed not to demand repayment of the amount 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 June 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 recognised as other income in the profit or loss account during the year ended 31 March 2017.

During the year ended 31 March 2018, Mr. Wong Chin To, 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 September 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 June 2022. On initial recognition, the loans were stated at fair value of approximately HK$3,477,000 and HK$3,787,000, respectively, determined based on the then market interest rate of 5% as estimated by the Company's directors. The difference between the loan proceeds received and such fair value of approximately HK$1,023,000 and HK$1,113,000, respectively, were accounted for as capital contributions from a shareholder.

23. LEASES

HKFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, are disclosed in Note 4(d)(A).

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or/and in others to be reset periodically to market rental rates. In some jurisdictions' property leases, the periodic rent is fixed over the lease term.

The Group also leases certain items of machineries and motor vehicles which comprise fixed payments over the lease terms.

The carrying amounts of the Group's lease liabilities, and the movement during the year are as follows:

	Leased buildings HK$'000	**Machineries** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
At 1 April 2019	1,017	69	426	1,512
Additions	–	4,396	–	4,396
Lease payments	(442)	(728)	(209)	(1,379)
Interest expenses (Note 11)	44	11	11	66
As at 31 March 2020	619	3,748	228	4,595
Current portion	419	2,093	158	2,670
Non-current portion	200	1,655	70	1,925
As at 31 March 2020	619	3,748	228	4,595

23. LEASES (Continued)

Lease Liabilities

Future lease payments are due as follows:

	Minimum lease payments as at 31 March 2020 HK$'000	Interest as at 31 March 2020 HK$'000	Present value as at 31 March 2020 HK$'000
Not later than one year	**2,784**	**(114)**	**2,670**
Later than one year and not later than two years	**1,956**	**(31)**	**1,925**
	4,740	**(145)**	**4,595**

	Minimum lease payments as at 1 April 2019 HK$'000	Interest as at 1 April 2019 HK$'000	Present value as at 1 April 2019 HK$'000
Not later than one year	720	(55)	665
Later than one year and not later than two years	810	(30)	780
Later than two years and not later than five years	68	(1)	67
	1,598	(86)	1,512

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.

23. LEASES (Continued)

Lease Liabilities (Continued)

Future lease payments are due as follows:

	Minimum lease payments as at 31 March 2019 HK$'000	Interest as at 31 March 2019 HK$'000	Present value as at 31 March 2019 HK$'000
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

The present value of future lease payments are analysed as:

	2020 HK$'000	2019 HK$'000
Current liabilities	**2,670**	266
Non-current liabilities	**1,925**	229
	4,595	495

Operating leases — lessee

The Group leased its office, warehouse and carpark under operating leases. The leases run for an initial period of one to two 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
Not later than one year	1,600
Later than one year and not later than five years	644
	2,244

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 2018	303	(1,877)	(1,574)
Credited to profit or loss for the year (Note 13)	–	831	831
At 31 March 2019 and 1 April 2019	303	(1,046)	(743)
Credited to profit or loss for the year (Note 13)	(303)	911	608
At 31 March 2020	–	(135)	(135)

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**–**	303
Deferred tax liabilities	**(135)**	(1,046)
	(135)	(743)

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$47,445,000 (2019: HK$49,197,000) 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 of ordinary shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	800,000	8,000

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
		–	–
Current assets			
Prepayment and deposit		75	185
Amount due from a subsidiary		1,000	1,847
Cash and cash equivalents		5	963
		1,080	2,995
Current liabilities			
Accruals and other payables		877	661
		877	661
Non-current liabilities			
Amount due to a director		2,226	500
Loan from a director	22	8,206	7,793
		10,432	8,293
NET LIABILITIES		(10,229)	(5,959)
DEFICITS			
Share capital	25	8,000	8,000
Reserves	27	(18,229)	(13,959)
TOTAL DEFICITS		(10,229)	(5,959)

On behalf of the Board of Directors

Zhang Weijie
Director

Wong Chin To
Director

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$'000	**Capital reserve (c)** HK$'000	**Accumulated losses (d)** HK$'000	**Total** HK$'000
At 1 April 2018	82,525	2,136	(75,859)	8,802
Loss for the year	–	–	(22,761)	(22,761)
At 31 March 2019 and 1 April 2019	82,525	2,136	(98,620)	(13,959)
Loss for the year	–	–	(4,270)	(4,270)
At 31 March 2020	82,525	2,136	(102,890)	(18,229)

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) Capital reserve

The amount represents in substance capital contribution from Mr. Zhang Weijie, the controlling shareholder of the Company as at 31 March 2020 and 2019 and Mr. Wong Chin To and Mr. Tse Chun Kit, the then former controlling shareholders of the Company, as at 31 March 2017, respectively, being the difference between the fair value of the loans from them on initial recognition and the loan proceeds received by the Group. For details of the loans, please refer to Notes 21 and 22.

(d) Accumulated losses

The amount represents cumulative net gains and losses recognised in profit or loss.

28. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 March 2020 are set out as follows:

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

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	2020 HK$'000	2019 HK$'000
Mrs. Wong Ching Nam (a)	Staff costs charged (a)	**711**	650

Note:

(a) Mrs. Wong Ching Nam, the spouse of Mr. Wong, was employed and being paid for the years ended 31 March 2020 and 2019. 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 contract assets, 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 leases liabilities. 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 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.

30. FINANCIAL RISK MANAGEMENT (Continued)

(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 96.7% of which was derived from five largest customers as at 31 March 2020 (2019: 82.4%).

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.

	2020 HK$'000	2019 HK$'000
Largest customer	**9,840**	4,850
Five largest customers	**25,386**	12,625

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

(i) Contract assets and trade receivables

Management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment loss allowance are made for irrecoverable amounts on trade receivables and contract assets.

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.

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.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Other receivables

The ECLs of other receivables are based on the 12-month 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 ECL model result in the recognition of ECL of HK$1,348,000 on 31 March 2019, which increased to HK$6,571,000 at 31 March 2020.

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.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Other receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for other receivables under the general approach.

	Stage 1 Gross amount HK$'000	Stage 1 Allowance for ECLs HK$'000	Stage 2 Gross amount HK$'000	Stage 2 Allowance for ECLs HK$'000	Stage 3 Gross amount HK$'000	Stage 3 Allowance for ECLs HK$'000	Total Gross amount HK$'000	Total Allowance for ECLs HK$'000
Balance as at 1 April 2018	3,353	87	7,744	1,335	–	–	11,097	1,422
New financial assets originated during the year	4,874	–	–	–	–	–	4,874	–
Derecognised, including repayment, during the year	–	–	(2,485)	–	–	–	(2,485)	–
Charged/(recovered) during the year	–	144	–	(218)	–	–	–	(74)
Balance as at 31 March 2019 and 1 April 2019	8,227	231	5,259	1,117	–	–	13,486	1,348
New financial assets originated during the year	1,127	–	176	–	–	–	1,303	–
Transfer from/to 12-month ECLs to/ from lifetime ECLs of financial assets during the year	(1,203)	(25)	(5,239)	(1,108)	6,442	1,133	–	–
Derecognised, including repayment, during the year	(6,746)	–	–	–	–	–	(6,746)	–
Charged/(recovered) during the year	–	(120)	–	34	–	5,309	–	5,223
Balance as at 31 March 2020	1,405	86	196	43	6,442	6,442	8,043	6,571

(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.

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 2020				
Trade and other payables	**44,039**	**44,448**	**34,624**	**9,824**
Leases liabilities	**4,595**	**4,740**	**2,784**	**1,956**
Amounts due to directors	**2,774**	**2,774**	**–**	**2,774**
Loans from directors	**24,220**	**27,126**	**1,238**	**25,888**
	75,628	**79,088**	**38,646**	**40,442**

	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	926	926	–	926
Loans from directors	22,106	26,333	1,091	25,242
	54,103	58,607	19,246	39,361

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 2020 and 2019 is as follows:

	2020 **HK$'000**	2019 HK$'000
Increase/(decrease) in profit for the year		
— as a result of 5% increase in interest rate	**72**	51
— as a result of 5% decrease in interest rate	**(72)**	(51)

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group entered into finance leases agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK$4,396,000 during the year ended 31 March 2020.

(b) Reconciliation of liabilities arising from financing activities

	Finance leases (Note 23) HK$'000	Loans from directors (Note 22) HK$'000	Amounts due to directors (Note 22) HK$'000	Other payables (Note 21(c)) HK$'000	Lease liabilities (Note 23) HK$'000	Total HK$'000
As at 1 April 2018	5,363	21,043	553	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)	–	–	–	–	(90)
Total changes from financing cash flows	(4,958)	–	373	–	–	(4,585)
Other change:						
Interest expenses	90	1,063	–	598	–	1,751
As at 31 March 2019 and 1 April 2019	495	22,106	926	13,301	–	36,828
Changes from cash flows:						
Repayment of loan to former director	–	–	–	(4,087)	–	(4,087)
Increase in amounts due to directors	–	–	1,848	–	–	1,848
Increase in loan from directors	–	1,000	–	–	–	1,000
Repayment of leases liabilities	–	–	–	–	(1,313)	(1,313)
Interest paid	–	–	–	–	(66)	(66)
Total changes from financing cash flows	–	1,000	1,848	(4,087)	(1,379)	(2,618)
Other changes:						
Interest expense	–	1,114	–	453	66	1,633
Adjustment upon adoption of HKFRS 16	–	–	–	–	1,017	1,017
Transfer to lease liabilities	(495)	–	–	–	495	–
Addition of lease liabilities	–	–	–	–	4,396	4,396
Total changes from other change	(495)	1,114	–	453	5,974	7,046
As at 31 March 2020	–	24,220	2,774	9,667	4,595	41,256

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 shareholders 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 debts. 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 debts are calculated as the total of lease liabilities, obligations under finance leases, 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 debts of the Group.

	2020 **HK$'000**	2019 HK$'000
Total debts	**41,256**	36,828
Less: Cash and cash equivalents	**(14,561)**	(10,199)
Net debts	**26,695**	26,629
Capital	**12,009**	19,150
Gearing ratio	**222%**	139%

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2020 Carrying amount and fair value HK$'000	2019 Carrying amount and fair value HK$'000
Financial assets at amortised cost		
Trade and other receivables	**20,501**	21,757
Cash and cash equivalents	**14,561**	10,199
	35,062	31,956
Financial liabilities at amortised cost		
Trade and other payables	**44,039**	30,576
Amounts due to directors	**2,774**	926
Lease liabilities/obligations under finance leases	**4,595**	495
Loans from directors	**24,220**	22,106
	75,628	54,103

34. COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitments (2019: 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 19 June 2020.

SUMMARY OF FINANCIAL INFORMATION

For the five years ended 31 March 2016, 2017, 2018, 2019 and 2020

RESULTS

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total revenue	**99,833**	98,175	125,448	137,310	107,306
(Loss)/profit before income tax	**(7,713)**	(7,216)	(23,532)	(28,688)	(24,820)
Income tax credit/(expense)	**506**	831	(1,384)	(240)	2,589
(Loss)/profit and total comprehensive income for the year	**(7,207)**	(6,385)	(24,916)	(28,928)	(22,231)

ASSETS AND LIABILITIES

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**61,179**	47,670	71,182	83,691	86,905
Total liabilities	**(75,865)**	(55,149)	(69,788)	(59,517)	(34,785)
Net (liabilities)/assets	**(14,686)**	(7,479)	1,394	24,174	52,120