PAK WING GROUP (HOLDINGS) LIMITED
柏 榮 集 團（控 股）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8316)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

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FINANCIAL HIGHLIGHTS

— Revenue for the year ended 31 March 2020 amounted to approximately HK$99,833,000 (2019: HK$98,175,000).

— The Group recorded a loss and total comprehensive income attributable to owners of the Company of approximately HK$7,207,000 for the year ended 31 March 2020 (2019: HK$6,385,000).

— Loss per share was approximately HK0.90 cents for the year ended 31 March 2020 (2019: HK0.80 cents).

— The Board does not recommend any final dividend for the year ended 31 March 2020 (2019: Nil).

— As at 31 March 2020, the Group's current ratio was approximately 1.25 times (2019: 2.18 times).

— As at 31 March 2020, the Group's cash and bank balances amounted to approximately HK$14,561,000 (2019: HK$10,199,000) and the Group had non-current other payables, loans from directors and leases liabilities in total of approximately HK$38,482,000 (2019: HK$35,902,000).

FINANCIAL RESULTS

The board of Directors (the "**Board**") would like to present the audited consolidated results of the Group for the year ended 31 March 2020 together with the comparative audited figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*4*	**99,833**	98,175
Cost of services		**(104,693)**	(102,095)
Gross loss		**(4,860)**	(3,920)
Other income	*5*	**16,932**	14,038
Administrative expenses		**(18,152)**	(15,583)
Finance costs	*6*	**(1,633)**	(1,751)
Loss before income tax	*7*	**(7,713)**	(7,216)
Income tax credit	*8*	**506**	831
Loss and total comprehensive income for the year attributable to the owners of the Company		**(7,207)**	(6,385)
Loss per share		***HK cents***	*HK cents*
— Basic and diluted	*9*	**(0.90)**	(0.80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**14,774**	9,165
Deferred tax assets		**–**	303
		14,774	9,468
Current assets			
Contract assets		**6,258**	5,927
Inventories		**4,907**	–
Trade and other receivables	*11*	**20,679**	22,076
Cash and cash equivalents		**14,561**	10,199
		46,405	38,202
Current liabilities			
Trade and other payables	*12*	**34,372**	17,275
Obligations under finance leases		**–**	266
Lease liabilities		**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		**–**	229
Amounts due to directors		**2,774**	926
Loans from directors		**24,220**	22,106
Other payables	*12*	**9,667**	13,301
Lease liabilities		**1,925**	–
Deferred tax liabilities		**135**	1,046
		38,721	37,608
NET LIABILITIES		**(14,686)**	(7,479)
DEFICITS			
Equity attributable to owners of the Company			
Share capital	*13*	**8,000**	8,000
Reserves		**(22,686)**	(15,479)
TOTAL DEFICITS		**(14,686)**	(7,479)

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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.

Going concern 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**"), 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:

(a) 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.

(b) 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 the Group in amounts of HK$14,365,000 and HK$7,665,000, respectively, as at 31 March 2020.

(c) 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.

Should the use of the going concern basis in the 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 reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in these consolidated financial statements.

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.

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.

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

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.

(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.

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.

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.

(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 Contracts[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.

3. 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.

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	2019
	HK$'000	*HK$'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.

4. REVENUE

The Group's revenue represents amounts received and receivable from contract work performed and is recognised over time for the years ended 31 March 2020 and 2019.

	2020	2019
	HK$'000	*HK$'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	2019
	HK$'000	*HK$'000*
Trade receivables *(Note 11)*	**19,643**	9,217
Contract assets	**6,617**	6,099

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.

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'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

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'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

7. LOSS BEFORE INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
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)
Employee benefit expense (including Directors' remuneration)	**26,500**	32,919

8. INCOME TAX CREDIT

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

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax		
— charge for the year	**(102)**	–
Deferred tax	**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 of 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.

9. 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	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(7,207)**	(6,385)

	Number of shares	Number of shares
	'000	*'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.

10. DIVIDEND

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

11. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, for gross *(Note)*	**19,643**	9,217
Less: Expected credit losses	**(1,457)**	(265)
Trade receivables, net	**18,186**	8,952

Notes: Trade receivables were mainly derived from the provision of foundation works and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

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

	2020	2019
	HK$'000	*HK$'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

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

	2020	2019
	HK$'000	*HK$'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

12. TRADE AND OTHER PAYABLES

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

Notes:

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

	2020	2019
	HK$'000	*HK$'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) 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 to 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.

13. SHARE CAPITAL

	Number of ordinary shares	**Amount**
	'000	*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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

BDO Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2020.

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 qualified in respect of this matter.

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 ended 31 March 2020, 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 of 4.0% for the year in 2019. The Group's performance is relatively stable under the current business environment, even such environment of construction industry has been 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 favourable to the 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.

During the year ended 31 March 2020, the construction operation generated revenue amounting HK$99,833,000 (2019: HK$98,175,000). As at 31 March 2020, the total value of contracts on hand amounted to HK$147,100,000 with HK$101,655,000 worth of contracts being ongoing.

During the year ended 31 March 2020, 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.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2020 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 ended 31 March 2020.

Gross Loss and Gross Loss Margin

For the year ended 31 March 2020, 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 ended 31 March 2020. 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 ended 31 March 2020.

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 ended 31 March 2020. 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 ended 31 March 2020 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 announcement.

	2020	2019
	HK$'000	*HK$'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 lease 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	2019
	HK$'000	*HK$'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 ended 31 March 2020 (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 ended 31 March 2020, the Group did not have any material acquisitions and disposal of subsidiaries and affiliated companies.

Significant Investments held by the Group

During the year ended 31 March 2020, 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 ended 31 March 2020 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 (the "**Listing**") by way of placing (the "**Placing**"). The net proceeds from the Placing of 120,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.35 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK$24,300,000. 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	**Actual amount utilised up to 31 March 2020**	**Change of use of proceeds up to 31 March 2020**	**Actual balance as at 31 March 2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Acquiring machinery	18,400	(14,400)	(4,000)	–
Strengthening our manpower	4,400	(4,400)	–	–
General working capital	1,500	(5,500)	4,000	–
	24,300	(24,300)	–	–

As 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 announcement, the net proceeds had been fully utilised.

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, machinery 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 6 July 2015. No share option has been granted under the Share Option Scheme since its adoption.

COMPETING INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors (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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, during the year, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "**CG Code**").

Reference is made to the announcement of the Company dated 31 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 (the "**Audit Committee**") under Rules 5.28 of the GEM Listing Rules. Following the appointment of Mr. Lee Yan Sang as the additional independent non-executive Director and a member 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.

Pursuant CG 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 Director.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company was established by the Board on 6 July 2015 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Sai Chun Yu (appointed on 29 April 2020). The other members are Mr. Lee Man Yeung and Mr. Lee Yan Sang (appointed on 29 April 2020). 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 Group's consolidated financial statements for the year ended 31 March 2020 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 the Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong) and adequate disclosures have been made. The consolidated financial statements of the Group have been agreed by the auditor of the Group.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on Friday, 21 August 2020, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of the association of the Company, the GEM Listing Rules and other applicable laws and regulations.

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 announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pakwingc.com). The annual report of the Company for the year ended 31 March 2020 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above website in due course.

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

Hong Kong, 19 June 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Weijie (Chairman), Mr. Wong Chin To and Mr. Duan Ximing; and the independent non-executive Directors are Mr. Lee Man Yeung, Mr. Lee Yan Sang and Mr. Sai Chun Yu.

This announcement will remain on the 'Latest Company Announcements' page of the GEM's website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.pakwingc.com.