



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)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK
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This announcement, 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 the 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2017 amounted to approximately HK\$59.7 million (2016: HK\$69.7 million).
- The Group recorded a loss of approximately HK\$7.8 million for the six months ended 30 September 2017 (2016: HK\$4.3 million).
- Loss per share was approximately HK0.977 cents for the six months ended 30 September 2017 (2016: HK0.531 cents).
- The board of Directors (the “Board”) does not recommend the payment of interim dividend for the six months ended 30 September 2017 (2016: Nil).
- As at 30 September 2017, the Group’s current ratio was approximately 1.45 times (31 March 2017: 1.18 times).
- The Group’s gearing ratio was approximately 176.3% as at 30 September 2017 (31 March 2017: 22.4%).
- As at 30 September 2017, the Group’s cash and bank balances amounted to approximately HK\$11,956,000 (31 March 2017: HK\$19,177,000) and the Group had loans from directors, borrowings and finance leases in total approximately HK\$35,553,000 (31 March 2017: HK\$23,332,000).

FINANCIAL RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 (the “Relevant Period”), together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

		Three months		Six months	
		ended 30 September		ended 30 September	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	35,230	27,559	59,684	69,747
Cost of services		<u>(36,584)</u>	<u>(30,904)</u>	<u>(62,633)</u>	<u>(68,239)</u>
Gross (loss)/profit		(1,354)	(3,345)	(2,949)	1,508
Other income		2,978	182	3,152	526
Reversal of impairment loss on retention receivables		–	770	–	770
Administrative expenses		(3,738)	(4,008)	(7,915)	(7,035)
Finance costs	4	<u>(316)</u>	<u>(257)</u>	<u>(565)</u>	<u>(454)</u>
Loss before income tax	5	(2,430)	(6,658)	(8,277)	(4,685)
Income tax	6	<u>705</u>	<u>861</u>	<u>465</u>	<u>435</u>
Loss and total comprehensive income for the period attributable to the owners of the Company		<u><u>(1,725)</u></u>	<u><u>(5,797)</u></u>	<u><u>(7,812)</u></u>	<u><u>(4,250)</u></u>
Loss per share		HK cents	HK cents	HK cents	HK cents
– Basic and diluted	7	<u><u>(0.216)</u></u>	<u><u>(0.725)</u></u>	<u><u>(0.977)</u></u>	<u><u>(0.531)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	25,970	33,659
Deferred tax assets		457	—
		<u>26,427</u>	<u>33,659</u>
Current assets			
Amounts due from customers for contract work		—	960
Trade and other receivables	10	51,667	29,895
Cash and cash equivalents		11,956	19,177
		<u>63,623</u>	<u>50,032</u>
Current liabilities			
Trade and other payables	11	32,711	34,739
Amounts due to directors	12	5,242	1,256
Obligations under finance leases	13	5,942	6,301
		<u>43,895</u>	<u>42,296</u>
Net current assets		<u>19,728</u>	<u>7,736</u>
Total assets less current liabilities		<u>46,155</u>	<u>41,395</u>
Non-current liabilities			
Obligations under finance leases	13	4,873	7,883
Loans from directors	12	13,119	9,148
Borrowings, unsecured	14	11,619	—
Deferred tax liabilities		182	190
		<u>29,793</u>	<u>17,221</u>
NET ASSETS		<u>16,362</u>	<u>24,174</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	8,000	8,000
Reserves		8,362	16,174
TOTAL EQUITY		<u>16,362</u>	<u>24,174</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Accumulated losses/ retained earnings HK\$'000	Capital reserve HK\$'000	
As at 1 April 2017 (Audited)	8,000	82,525	(51,705)	(15,628)	982	24,174
Loss and total comprehensive income for the period	—	—	—	(7,812)	—	(7,812)
As at 30 September 2017 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>(23,440)</u>	<u>982</u>	<u>16,362</u>
As at 1 April 2016 (Audited)	8,000	82,525	(51,705)	13,300	—	52,120
Loss and total comprehensive income for the period	—	—	—	(4,250)	—	(4,250)
As at 30 September 2016 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>9,050</u>	<u>—</u>	<u>47,870</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(24,777)	(6,776)
Net cash generated from/(used in) investing activities	1,125	(2,180)
Net cash generated from financing activities	16,431	4,559
Net decrease in cash and cash equivalents	(7,221)	(4,397)
Cash and cash equivalents at beginning of the period	19,177	19,961
Cash and cash equivalents at end of the period	11,956	15,564

NOTES TO THE UNAUDITED FINANCIAL RESULTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office 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 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong, respectively. The Company is an investment holding company and the shares were listed on GEM on 10 August 2015 (the “Listing”). The Group is principally engaged in the provision of foundation works in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial information for the Relevant Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the GEM Listing Rules.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the unaudited condensed consolidated financial information, and there have otherwise been no significant changes to the accounting policies applied.

The preparation of condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This condensed consolidated financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The unaudited condensed consolidated financial information results for the Relevant Period have not been audited by the Company’s independent auditors, but have been reviewed by the audit committee (the “Audit Committee”) of the Company.

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

3. REVENUE AND SEGMENT INFORMATION

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

Operating segment

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

Geographical information

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

4. FINANCE COSTS

	Three months		Six months	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	–	14	–	36
Interest on finance leases	152	167	326	342
Interest on loans from directors	82	76	120	76
Interest on unsecured borrowings	82	–	119	–
	<u>316</u>	<u>257</u>	<u>565</u>	<u>454</u>

5. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	5,059	7,653	10,741	15,267
Loss on disposal of property, plant & equipment	9	–	9	–
Depreciation	3,196	3,292	6,555	6,562
Operating lease rentals in respect of:				
– Land and building	807	466	1,549	866
– Plant and equipment	426	2,336	1,393	7,064
Reversal of impairment loss on retention receivables	–	(770)	–	(770)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax for the period:				
Hong Kong profits tax	–	–	–	–
Deferred tax	705	861	465	435
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>705</u>	<u>861</u>	<u>465</u>	<u>435</u>

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these countries.

7. LOSS PER SHARE

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

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company	(7,812)	(4,250)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 September 2017 and 2016.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the Relevant Period (2016: nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Machineries <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
As at 1 April 2016 (Audited)	924	50,621	1,315	6,565	59,425
Additions	514	7,950	141	3,361	11,966
Disposals	—	(3,797)	—	(2,550)	(6,347)
As at 31 March 2017 (Audited)	1,438	54,774	1,456	7,376	65,044
Disposals	—	(1,791)	—	(248)	(2,039)
As at 30 September 2017 (Unaudited)	1,438	52,983	1,456	7,128	63,005
Accumulated depreciation					
As at 1 April 2016 (Audited)	506	18,720	315	2,969	22,510
Provided for the year	149	10,611	273	2,245	13,278
Written back on disposals	—	(2,309)	—	(2,094)	(4,403)
As at 31 March 2017 (Audited)	655	27,022	588	3,120	31,385
Provided for the period	115	5,354	145	941	6,555
Written back on disposals	—	(657)	—	(248)	(905)
As at 30 September 2017 (Unaudited)	770	31,719	733	3,813	37,035
Net book value					
As at 30 September 2017 (Unaudited)	668	21,264	723	3,315	25,970
As at 31 March 2017 (Audited)	783	27,752	868	4,256	33,659

The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 13).

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Machineries	11,728	16,416
Motor vehicles	3,219	4,133
	14,947	20,549

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Trade receivables	29,346	16,324
Retention receivables	10,127	8,535
Other receivables	10,202	3,593
Prepayments and deposits	1,992	1,443
	<u>51,667</u>	<u>29,895</u>

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

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Less than 1 month	7,472	7,565
1 to 3 months	19,268	4,997
More than 3 months but less than one year	2,606	3,762
	<u>29,346</u>	<u>16,324</u>

The Group grants an average credit period of 30 to 60 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

11. TRADE AND OTHER PAYABLES

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Trade payables	30,656	31,455
Other payables and accruals	2,055	3,284
	<u>32,711</u>	<u>34,739</u>

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

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Less than 1 month	13,137	7,263
1 to 3 months	12,333	14,563
More than 3 months but less than one year	4,901	9,421
More than one year	285	208
	<u>30,656</u>	<u>31,455</u>

The Group's trade payables are non-interest bearing and generally have payment terms of less than 60 days.

12. AMOUNTS DUE TO AND LOANS FROM DIRECTORS

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

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Amounts due to directors		
Mr. Zhang Weijie (<i>Note (a)</i>)	4,500	–
Mr. Wong Chin To (<i>Note (a)</i>)	742	666
Mr. Tse Chun Kit (<i>Note (a)</i>)	–	590
	<u>5,242</u>	<u>1,256</u>
Loans from directors		
Mr. Wong Chin To (<i>Note (b)</i>)	13,119	4,574
Mr. Tse Chun Kit (<i>Note (b)</i>)	–	4,574
	<u>13,119</u>	<u>9,148</u>

Notes:

- (a) The amounts due to directors are unsecured, interest free and repayable on demand.
- (b) The amounts are unsecured, carries at a fixed interest rate of 5% per annum and are repayable in 2021 and 2022 respectively. Mr. Tse Chun Kit resigned as an executive director of the Company on 19 May 2017, but still is a director of a subsidiary. The amount of loans from Mr. Tse Chun Kit for the Relevant Period is reallocated to borrowings.

13. FINANCE LEASES

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

Future lease payments are due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
As at 30 September 2017 (Unaudited)			
Not later than one year	6,341	399	5,942
Later than one year and not later than two years	4,367	118	4,249
Later than two years and not later than five years	638	14	624
	<u>11,346</u>	<u>531</u>	<u>10,815</u>
As at 31 March 2017 (Audited)			
Not later than one year	6,870	569	6,301
Later than one year and not later than two years	5,906	250	5,656
Later than two years and not later than five years	2,271	44	2,227
	<u>15,047</u>	<u>863</u>	<u>14,184</u>

14. BORROWING, UNSECURED

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Borrowing, unsecured	<u>11,619</u>	<u>–</u>

The amount is due to Mr. Tse Chun Kit, a prior director of the Company, grants loans to a subsidiary of the Company, which is unsecured, carries at a fixed interest rate of 5% per annum and are repayable in 2021 and 2022 respectively.

15. SHARE CAPITAL

	Number	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016, 31 March 2017 (Audited) and 30 September 2017 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016, 31 March 2017 (Audited) and 30 September 2017 (Unaudited)	<u>800,000,000</u>	<u>8,000</u>

16. RELATED PARTY TRANSACTION

The Group entered into the following significant related party transaction during the Relevant Period.

Name of related party	Nature of transaction	Six months ended 30 September	
		2017	2016
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Oriental Boring & Eng. Ltd (a)	Contract related services charge (b)	–	5

Notes:

- (a) Oriental Boring & Eng. Ltd. is beneficially owned by the parents of Mr. Tse Chun Kit, a prior director of the Company.
- (b) The transaction was conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that the related party transaction was conducted in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged as a foundation 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 Relevant Period, the Group acts as a main contractor of Christian Alliance International School project.

During the Relevant Period, the Group recorded a decrease in turnover of approximately HK\$10.1 million or 14.4%. Its gross loss margin was approximately 4.9% as compared to gross profit margin 2.2% for the same period in 2016. The declined gross profit margin was mainly due to the lengthening of the funding approval process in the Legislative Council for the planned public works as a result of the persistent filibustering since 2015 which deteriorates the construction industry in Hong Kong and increases the competition from other contractors seeking to tender projects at low price, and in turn affected the Group's profit margin. The deterioration in economic environment and the increasing labour costs have also posed plenty of challenges to the Group and are expected to continue in the coming year.

In view of the significant decrease in the gross profit margin of the Group for the Relevant Period, while the Group will continue its existing principal business, it will conduct a review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. The Group may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

FINANCIAL REVIEW

Turnover

The Group's revenue for the Relevant Period was approximately HK\$59.7 million, representing a decrease of approximately HK\$10.1 million or 14.4% as compared to the revenue for the six months ended 30 September 2016. The decrease was mainly due to the persistent filibustering as aforementioned.

Gross Profit and Gross Profit Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$2.9 million (2016: gross profit approximately HK\$1.5 million) and the gross loss margin was approximately 4.9% (2016: gross profit margin 2.2%). The declined gross profit margin mainly due to the increasing competition from other contractors seeking to tender projects at low price.

Other Income

The Group's other income increased by approximately HK\$2.6 million or 499.2% from HK\$0.5 million for the six months ended 30 September 2016 to HK\$3.2 million for the Relevant Period. The increase was mainly due to rental income of machineries received from third parties.

Administrative Expenses

The administrative expenses increased by approximately HK\$0.9 million or 12.5% from HK\$ 7.0 million for the six months ended 30 September 2016 to HK\$7.9 million for the Relevant Period. The increase was mainly due to legal and professional expenses incurred in relation to the transfer of the Company's shares.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$7.8 million (2016: approximately HK\$4.3 million). The decrease was mainly due to decrease in revenue and gross profit for the Relevant Period.

Liquidity, Financial Resources and Capital Structure

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

	As at 30 September 2017 <i>HK\$'000</i> (Unaudited)	As at 31 March 2017 <i>HK\$'000</i> (Audited)
Current assets	63,623	50,032
Current liabilities	43,895	42,296
Current ratio	<u>1.45</u>	<u>1.18</u>

The current ratio of the Group as at 30 September 2017 was approximately 1.45 times as compared to that of approximately 1.18 times as at 31 March 2017.

As at 30 September 2017, the Group had total cash and cash equivalents of approximately HK\$11,956,000 (31 March 2017: HK\$19,177,000).

As at 30 September 2017 and 31 March 2017, the Group had loans from directors, borrowings and finance leases in total approximately HK\$35.6 million and HK\$23.3 million respectively. The scheduled repayment date of the Group's were as follows:

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Within 1 year	5,942	6,301
Between 1 and 2 years	4,249	5,656
Between 2 and 5 years	25,362	11,375
	<u>35,553</u>	<u>23,332</u>

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt is calculated as the total of obligation under finance leases, amounts due to directors and all interest-bearing borrowings less cash and cash equivalents. Capital represents equity of the Group.

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Total debt	40,795	24,588
Less: Cash and cash equivalents	<u>(11,956)</u>	<u>(19,177)</u>
Net debt	28,839	5,411
Equity attributable to the owners of the Company	<u>16,362</u>	<u>24,174</u>
Gearing ratio	<u>176.3%</u>	<u>22.4%</u>

Interim Dividend

The Board does not recommend the payment of interim dividend for the Relevant Period (2016: Nil).

Contingent Liabilities

As at 30 September 2017, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2017, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2017, the Group did not have any significant capital commitment.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Significant Investments Held by the Group

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

Future Plan for Material Investments and Capital Assets

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

Foreign Currency Risk

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

Employees and Remuneration Policy

As at 30 September 2017, the Group employed a total of 70 staff. The total employee remuneration, including remuneration of the Directors for the Relevant Period, amounted to approximately HK\$10.7 million.

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

Use of Proceeds from Placing

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

	Planned amount as stated in the Company's prospectus dated on 28 July 2015 HK\$'000	Actual amount utilised up to 30 September 2017 HK\$'000	Change of use of proceeds up to 30 September 2017 HK\$'000	Actual balance as at 30 September 2017 HK\$'000
Acquiring machinery	18,400	(10,226)	(4,000)	4,174
Strengthening our manpower	4,400	(4,400)	—	—
General working capital	1,500	(5,500)	4,000	—
	<u>24,300</u>	<u>(20,126)</u>	<u>—</u>	<u>4,174</u>

As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of proceeds.

OTHER INFORMATION

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

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company (the “Chief Executive”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the “Required Standard of Dealings”) or Rule 23.07 of the GEM Listing Rules are as follows:

Long positions 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	75.0%

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 be, interested 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 the date of this announcement.

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

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

Save as disclosed above, as at 30 September 2017, none of the Directors or the Chief Executive or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings or Rule 23.07 of the GEM Listing Rules.

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

As at 30 September 2017, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Long positions in the ordinary shares of the Company

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 3)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000	75.0%
China Huarong Macau (HK) Investment Holdings Limited (Note 2)	Security interest	536,000,000	67.0%
China Huarong (Macau) International Company Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Huarong (HK) Industrial Financial Investment Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Huarong Real Estate Co., Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
China Huarong Asset Management Co., Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Ministry of Finance of the People's Republic of China (Note 2)	Interest of a controlled corporation	536,000,000	67.0%

Notes:

1. Steel Dust had executed a charge over his security account deposited with 536,000,000 shares in the share capital of the Company in favour of China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") as security for a term loan facility granted to him. China Huarong Macau thus has security interest over these shares.
2. China Huarong Macau is wholly-owned by China Huarong (Macau) International Company Limited ("China Huarong International"), which in turn owned by Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") of 51.0% shares, which in turn is wholly-owned by Huarong Real Estate Co., Limited ("Huarong Real Estate"), which in turn is wholly-owned by China Huarong Asset Management Co., Ltd ("China Huarong Asset"), which in turn is owned by Ministry of Finance of the People's Republic of China ("Ministry of Finance") of 65.0% shares. 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 shares of the Company in which China Huarong Macau has security interest.
3. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this announcement.

Save as disclosed above, as at 30 September 2017, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

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

COMPLIANCE ADVISER'S INTERESTS

As at 30 September 2017, neither Shenwan Hongyuan Capital (H.K.) Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

- Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Following the appointment of Mr. Duan Ximing as the chief executive officer on 31 August 2017, the roles of chairman and chief executive officer are performed by Mr. Zhang Weijie and Mr. Duan Ximing respectively. The Company has complied with the code provision A.2.1 of the CG Code.

- Reference is made to the announcement of the Company dated 19 May 2017 and 15 August 2017 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the appointment of Ms. Li Huanli as the additional independent non-executive Director and a member of the Audit Committee on 15 August 2017, the Company has three independent non-executive Directors and three members of the Audit Committee and thus is in compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors since the date of the Annual Report 2017 are set out below:

- Mr. Lui Man Wah did not offer himself for re-election as an executive director at the Annual General Meeting on 11 August 2017.
- Ms. Li Huanli was appointed as an independent non-executive Director with effect from 15 August 2017.
- Mr. Duan Ximing was appointed as an executive Director and a chief executive officer with effect from 31 August 2017
- Mr. Yang Zida was appointed as an independent non-executive Director with effect from 31 August 2017 following the resignation of Mr. Wong Chi Shing on the same date.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public as at the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 6 July 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yang Zida (appointed on 31 August 2017 following the resignation of Mr. Wong Chi Shing on the same date). The other members are Mr. Lau Yik Lok and Ms. Li Huanli (appointed on 15 August 2017). The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

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

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

Hong Kong, 10 November 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Weijie, Mr. Wong Chin To and Mr. Duan Ximing; and the independent non-executive Directors are Mr. Lau Yik Lok, Ms. Li Huanli and Mr. Yang Zida.

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.