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 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This 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 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 for the year ended 31 March 2019 amounted to approximately HK$98.2 million (2018: HK$125.4 million).

— The Group recorded a loss and total comprehensive income attributable to owners of the Company of approximately HK$6.4 million for the year ended 31 March 2019 (2018: HK$24.9 million).

— Loss per share was approximately HK0.80 cents for the year ended 31 March 2019 (2018: HK3.11 cents).

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

— As at 31 March 2019, the Group's current ratio was approximately 2.18 times (2018: 1.69 times).

— As at 31 March 2019, the Group's cash and bank balances amounted to approximately HK$10,199,000 (2018: approximately HK$11,110,000) and the Group had other payables, loans from directors and finance leases in total of approximately HK$34,852,000 (2018: approximately HK$38,634,000).

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 2019 together with the comparative audited figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**98,175**	125,448
Cost of services		**(102,095)**	(133,111)
Gross loss		**(3,920)**	(7,663)
Other income	*4*	**14,038**	4,795
Administrative expenses		**(15,583)**	(19,120)
Finance costs	*5*	**(1,751)**	(1,544)
Loss before income tax	*6*	**(7,216)**	(23,532)
Income tax credit/(expense)	*7*	**831**	(1,384)
Loss and total comprehensive income for the year attributable to the owners of the Company		**(6,385)**	(24,916)
Loss per share		**HK cents**	HK cents
— Basic and diluted	*8*	**(0.80)**	(3.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**9,165**	16,479
Deferred tax assets		**303**	303
		9,468	16,782
Current assets			
Contract assets	*10*	**5,927**	–
Trade and other receivables	*11*	**22,076**	43,290
Cash and cash equivalents		**10,199**	11,110
		38,202	54,400
Current liabilities			
Trade and other payables	*12*	**17,275**	28,249
Obligations under finance leases		**266**	3,946
		17,541	32,195
Net current assets		**20,661**	22,205
Total assets less current liabilities		**30,129**	38,987
Non-current liabilities			
Obligations under finance leases		**229**	1,417
Amounts due to directors		**1,976**	1,028
Loans from directors		**21,056**	20,568
Other payables		**13,301**	12,703
Deferred tax liabilities		**1,046**	1,877
		37,608	37,593
NET (LIABILITIES)/ASSETS		**(7,479)**	1,394
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**8,000**	8,000
Reserves		**(15,479)**	(6,606)
TOTAL EQUITY		**(7,479)**	1,394

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 of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the Company's head office and principal place of business was changed from 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong to 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong on 26 October 2018. The Company is an investment holding company and its shares were listed on GEM on 10 August 2015 (the "Listing"). 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 and a net loss for the year ended 31 March 2019, which amounted to approximately HK$3,920,000 and HK$6,385,000, respectively. In addition, the Group had net liabilities of approximately HK$7,479,000 as at 31 March 2019. As further described below, the Group relied on the continual financial support from a director of the Company, a former director and the Company's controlling shareholder in order to maintain sufficient working capital to meet its financial obligations as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(a) Mr. Wong Chin To, an executive director of the Company, and Mr. Tse Chun Kit, a former executive director of the Company, who were also the directors of Pak Wing Construction Company Limited ("Pak Wing Construction"), the principal operating subsidiary of the Company, as at 31 March 2019, have agreed in writing not to demand repayment of the amounts due from the Group amounting to approximately HK$1,476,000 and HK$1,538,000, respectively, as at 31 March 2019, within twelve months from the end of the reporting period. As disclosed in Notes 22 and 21 to the consolidated financial statements, the Group had loans from them with a carrying amount of approximately HK$13,263,000 and HK$11,763,000, respectively, as at 31 March 2019, which are repayable in 2021 to 2022. In addition, they have agreed in writing to provide continual financial support to Pak Wing Construction to meet its financial obligations as and when they fall due;

(b) the Company's controlling shareholder, who was an executive director of the Company as at 31 March 2019, has agreed in writing not to demand repayment of the amount due from the Group amounting to approximately HK$500,000 as at 31 March 2019, within twelve months from the end of the reporting period. As disclosed in Note 22 to the consolidated financial statements, the Group had loans from him with a carrying amount of approximately HK$7,793,000 as at 31 March 2019, which are repayable in 2022. In addition, he has agreed in writing to provide continual financial support to the Company to meet its financial obligations as and when they fall due; and

(c) the Group will be able to achieve a level of business that could generate sufficient working capital during the Forecasted Period.

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

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

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

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

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

Except for adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" that have been summarised below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Notes:

A. HKFRS 9 "Financial Instruments" ("HKFRS 9")

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

(i) Classification and measurement of financial instruments

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are comprised of loans and receivables and financial liabilities at amortised cost as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

(ii) Impairment of financial assets

The Group's contract assets, and trade and other receivables (excluding prepayments) are subject to HKFRS 9's new expected credit loss model. The Group applies the HKFRS 9 simplified approach to measure lifetime expected credit losses for contract assets and trade receivables. The Group has assessed that there is no significant increase of credit risk for other receivables (excluding prepayments), thus the loss allowance is determined as 12 months expected credit losses. Upon adoption of HKFRS 9, the Group has provided loss allowance for the Group's contract assets, and trade and other receivables of approximately HK$2,488,000 as at 1 April 2018, which are deducted from the gross amount of respective assets and resulted in decrease in the Group's retained earnings and equity of the same amount.

B. HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15")

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

HKFRS 15 introduces a five-steps model when recognising revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

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

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

	At 31 March 2018	**Impact on adoption of HKFRS 15**	**At 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000* (adjusted)
Contract assets *(note 10)*	–	11,972	11,972
Retention receivables *(note 11)*	11,972	(11,972)	–

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.
5 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all its leases. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The standard will affect primarily the accounting for the Group's operating leases. As at 31 March 2019, the Group had non-cancellable operating lease commitments of approximately HK$2,244,000. The interest expenses on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown as an off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the consolidated statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have a material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

For the year ended 31 March 2019, the Group's revenue represents amount received and receivable from contract work performed and is recognised over time using output method. Please refer to the note 4(i) (A) to the consolidated financial statements in relation to the accounting policy.

For the year ended 31 March 2018, revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Operating segment

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

Geographical information

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

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

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

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

4. OTHER INCOME

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

5. FINANCE COSTS

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

6. LOSS BEFORE INCOME TAX

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

7. INCOME TAX CREDIT/EXPENSE

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

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

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

8. LOSS PER SHARE

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

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

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

9. DIVIDEND

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

10. CONTRACT ASSETS

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

Construction services

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

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

	HK$'000
Within one year	5,927
Total contract assets	5,927

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

At 31 March 2018	–
Reclassification on adoption of HKFRS 15	11,972
Less: Provision for impairment on adoption of HKFRS 9	(373)
At 1 April 2018 (adjusted)	11,599
Addition during the year	5,896
Received during the year	(11,769)
Reversal of provision for impairment	201
As at 31 March 2019	5,927

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.

11. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

Notes:

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

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

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

Impairment under HKFRS 9 for the year ended 31 March 2019

The Group applied the simplified approach to estimate the expected credit losses; as detailed in note 2(a) above.

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

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

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

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	HK$'000	*HK$'000*
At 31 March 2018	**2,932**	171
Effect of adoption of HKFRS 9	**693**	–
At 1 April 2018 (adjusted)	**3,625**	171
Impairment loss and written off of trade receivables	**(2,932)**	2,761
Reversal of impairment loss on trade receivables	**(428)**	–
At 31 March 2019	**265**	2,932

(b) Retention receivables

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

Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. Retention receivables were not yet past due as at 31 March 2019 and 2018.

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

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

Upon the adoption of HKFRS 15, all of retention receivables, for which the Group's entitlement to the consideration was conditional period, were reclassified to "contract assets".

12. TRADE AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Current:		
Trade payables *(Note (a))*	**11,528**	26,683
Other payables and accruals	**5,747**	1,566
	17,275	28,249

Note:

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

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

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

13. SHARE CAPITAL

	Number	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2018 and 31 March 2019	1,000,000,000	10,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
At 31 March 2018 and 31 March 2019	800,000,000	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 2019.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$98.2 million, representing a decrease of approximately HK$27.3 million or 21.7% as compared to the revenue for the year ended 31 March 2018. The decrease was mainly due to two large foundation projects completed during the year ended 31 March 2019, which contributed approximately HK$17.1 million for the year ended 31 March 2019 as compared to HK$68.1 million for the year ended 31 March 2018.

Gross Loss and Gross Loss Margin

For the year ended 31 March 2019, the Group recorded a gross loss of approximately HK$3.9 million (2018: gross loss of approximately HK$7.7 million) and the gross loss margin was approximately 4.0% (2018: gross loss margin of 6.1%). The improved gross loss margin was a result of an increase in gross profit margin of the two larger tendered foundation construction works projects of the Group during the year ended 31 March 2019 as compared to last year.

Administrative Expenses

The administrative expenses decreased by approximately HK$3.5 million or 18.5% from approximately HK$19.1 million for the year ended 31 March 2018 to approximately HK$15.6 million for the year ended 31 March 2019. The decrease was mainly due to the impairment loss on retention receivables and trade receivables by approximately HK$3.1 million incurred during the year ended 31 March 2018.

Finance Costs

Finance costs increased by approximately HK$0.2 million or 13.4% from approximately HK$1.5 million for the year ended 31 March 2018 to approximately HK1.7 million for the year ended 31 March 2019. The increase was mainly due to an increase in interest on loans from directors.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss and total comprehensive income for the year ended 31 March 2019 was approximately HK$6.4 million (2018: approximately HK$24.9 million). Such decrease was mainly due to the gross profit improved and gain on disposal of property, plant and equipment amounted to HK$12.5 million for the year ended 31 March 2019.

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as the total of obligations under finance leases, amounts due to a director and loans from directors and less cash and cash equivalents. Capital represents equity of the Group.

	2019	2018
	HK$'000	*HK$'000*
Total debt	**36,828**	39,662
Less: Cash and cash equivalents	**(10,199)**	(11,110)
Net debt	**26,629**	28,552
Equity attributable to the owners of the Company	**(7,479)**	1,394
Gearing ratio	**-356.1%**	2,048.2%

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to contract assets, trade receivables and deposits with banks. The credit risk of the Group's contract assets and trade receivables is concentrated since approximately 84.9% of which was derived from five major customers as at 31 March 2019 (2018: approximately 82.0%). As the customers of the Group are reputable corporations, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

Dividend

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

Contingent Liabilities

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

Pledge of Assets

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

Capital Commitments

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2019, 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 2019, there was no significant investment held by the Group.

Future Plan for Material Investments and Capital Assets

The Group does not have any concrete plan for material investments or capital assets as at 31 March 2019.

Foreign Currency Exposure

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

Employees and Remuneration Policy

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

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

Use of Proceeds from Placing

On 10 August 2015, the shares of the Company were successfully listed on GEM of the Stock Exchange (the "Listing") by way of placing (the "Placing"). The net proceeds from the Placing of 120,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.35 per share, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, were approximately HK$24.3 million. On 19 September 2016, the Group resolved to change the proposed use of the net proceeds from the Listing, details of which are set out in the announcement of the Company dated 19 September 2016.

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

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

Principal Risks and Uncertainties

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

(i) The Group's past revenue and profit margin may not be indicative of the Group's future revenue and profit margin.

(ii) The Group determined the project price based on estimated time and costs involved in a project, which may deviate from actual time and cost incurred. Inaccurate estimation may adversely affect our financial results.

(iii) The Group's business operations depend on the expertise and continuing performance of the key management personnel and there is no assurance that the Group can hire and retain them.

(iv) Failure to invest in suitable machinery may adversely affect the Group's market competitiveness.

(v) Acquiring machinery may result in an increase in depreciation expenses, machine operation costs, repair and maintenance costs and cash flow used in investing activities and may adversely affect the Group's operating results and financial position.

(vi) As the Group from time to time engages subcontractors, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of the subcontractors.

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

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 2019, 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 August 2018 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the resignation of Mr. Lau Yik Lok as an independent non-executive Director on 31 August 2018, the Board had only two independent non-executive Directors, the number of which fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of insufficient number of independent non-executive Directors, the Company had also failed to comply with the minimum number of committee members requirements regarding its audit committee (the "Audit Committee") under Rules 5.28 of the GEM Listing Rules. Following the appointment of Mr. Lee Man Yeung as the additional independent non-executive Director and a member of the Audit Committee on 14 September 2018, the Company has three independent non-executive Directors and three members of the Audit Committee and thus is in compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

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 2019 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. Yang Zida. The other members are Mr. Lee Man Yeung and Ms. Li Huanli. 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 2019 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 Tuesday, 20 August 2019, 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 Thursday, 15 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 August 2019.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 March 2019 and up to the date of this 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 2019 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, 21 June 2019

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 Ms. Li Huanli, Mr. Yang Zida and Mr. Lee Man Yeung.

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.