



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 2020**

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

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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 of the Group for the six months ended 30 September 2020 amounted to approximately HK\$68.8 million (2019: HK\$36.3 million).
- The Group recorded a loss of approximately HK\$11.0 million for the six months ended 30 September 2020 (2019: HK\$2.7 million).
- Loss per share was approximately HK1.38 cents for the six months ended 30 September 2020 (2019: HK0.34 cents).
- The board of Directors (the “**Board**”) does not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: nil).
- As at 30 September 2020, the Group’s current ratio was approximately 0.59 times (31 March 2020: 1.25 times).
- As at 30 September 2020, the Group’s cash and bank balances amounted to approximately HK\$6,820,000 (31 March 2020: HK\$14,561,000) and the Group had other payables (non-current and part of current), loans from directors, other borrowing and lease liabilities in total approximately HK\$43,756,000 (31 March 2020: HK\$38,482,000).

FINANCIAL RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 (the “**Relevant Period**”), together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 September 2020

		Three months ended 30 September		Six months ended 30 September	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	30,978	23,278	68,838	36,329
Cost of services		(40,294)	(22,497)	(79,807)	(36,512)
Gross (loss)/profit		(9,316)	781	(10,969)	(183)
Other income	4	2,995	525	5,458	3,420
Administrative expenses		(2,596)	(2,694)	(4,953)	(5,506)
Finance costs	5	(302)	(267)	(544)	(514)
Loss before income tax	6	(9,219)	(1,655)	(11,008)	(2,783)
Income tax	7	–	27	–	38
Loss and total comprehensive income for the period attributable to the owners of the Company		(9,219)	(1,628)	(11,008)	(2,745)
Loss per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	8	(1.15)	(0.20)	(1.38)	(0.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	14,401	14,774
		<u>14,401</u>	<u>14,774</u>
Current assets			
Contract assets	11	7,124	6,258
Inventories		–	4,907
Trade and other receivables	12	21,603	20,679
Cash and cash equivalents		6,820	14,561
		<u>35,547</u>	<u>46,405</u>
Current liabilities			
Trade and other payables	13	36,402	34,372
Other borrowing	14	5,000	–
Loan from a director	15	15,000	–
Lease liabilities		3,314	2,670
Provision for taxation		102	102
		<u>59,818</u>	<u>37,144</u>
Net current (liabilities)/assets		<u>(24,271)</u>	<u>9,261</u>
Total assets less current liabilities		<u>(9,870)</u>	<u>24,035</u>
Non-current liabilities			
Lease liabilities		1,979	1,925
Amounts due to directors		11	2,774
Loans from directors		–	24,220
Other payables		13,699	9,667
Deferred tax liabilities		135	135
		<u>15,824</u>	<u>38,721</u>
NET LIABILITIES		<u>(25,694)</u>	<u>(14,686)</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	8,000	8,000
Reserves		(33,694)	(22,686)
TOTAL DEFICITS		<u>(25,694)</u>	<u>(14,686)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2020 (Audited)	8,000	82,525	(51,705)	(56,624)	3,118	(14,686)
Loss and total comprehensive income for the Relevant Period	—	—	—	(11,008)	—	(11,008)
As at 30 September 2020 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>(67,632)</u>	<u>3,118</u>	<u>(25,694)</u>
As at 1 April 2019 (Audited)	8,000	82,525	(51,705)	(49,417)	3,118	(7,479)
Loss and total comprehensive income for the period	—	—	—	(2,745)	—	(2,745)
As at 30 September 2019 (Unaudited)	<u>8,000</u>	<u>82,525</u>	<u>(51,705)</u>	<u>(52,162)</u>	<u>3,118</u>	<u>(10,224)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2020*

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(6,546)	(2,023)
Net cash generated from investing activities	2,501	477
Net cash used in financing activities	(3,696)	(2,914)
Net decrease in cash and cash equivalents	(7,741)	(4,460)
Cash and cash equivalents at beginning of the period	14,561	10,199
Cash and cash equivalents at end of the period	6,820	5,739

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated financial statements for the Relevant Period has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements and should read in conjunction with the consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

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

For the purpose of preparing and presenting the financial information of the condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group’s financial year beginning on 1 April 2020. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

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

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents amount received and receivable from contract works performed and recognized over time using output method, i.e. based on surveys of work completed by the Group to date.

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. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	220	–	2,504	1,569
Government subsidies	2,783	–	2,783	–
Rental income from leasing machinery	–	333	–	705
Others	(8)	192	171	1,146
	<u>2,995</u>	<u>525</u>	<u>5,458</u>	<u>3,420</u>

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on lease liabilities	53	27	108	31
Interest on loans from directors	80	145	218	288
Interest on loan from a former director	44	95	93	195
Interest on other borrowings	125	–	125	–
	<u>302</u>	<u>267</u>	<u>544</u>	<u>514</u>

6. LOSS BEFORE INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	6,625	6,343	13,998	11,656
Depreciation of property, plant and equipment	1,317	976	2,720	2,131

7. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax for the period:				
Hong Kong profits tax	–	–	–	–
Deferred tax	–	27	–	38
	–	27	–	38

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

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(11,008)	(2,745)
	'000	'000
Number of shares		
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 2020 and 2019.

9. DIVIDEND

The Board does not recommend the payment of interim dividend for the Relevant Period (2019: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired office equipment amounting to approximately HK\$19,000 (for the six months ended 30 September 2019: approximately HK\$2,056,000) and disposal of plant and machinery with aggregate cost of approximately HK\$7,416,000 (for the six months ended 30 September 2019: approximately HK\$5,500,000).

During the Relevant Period, the Group entered into a lease agreement for leasing a warehouse, and therefore recognised addition to right-of-use asset of HK\$2,403,000 (for the six months ended 30 September 2019: approximately HK\$1,796,000).

11. CONTRACT ASSETS

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Contract assets arising from:		
Construction services		
— Retention receivables from contracts with customers within the scope of HKFRS 15	7,483	6,617
Less: Provision for impairment	(359)	(359)
	<u>7,124</u>	<u>6,258</u>

Construction services

As at 30 September 2020, contract assets include retention receivables held by customer for foundation construction works amount to approximately HK\$7,124,000 (31 March 2020: 6,258,000). The Group typically agrees a 1-year retention period for 5% to 10% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactory passing inspection.

The expected timing of recovery or settlement for contract assets as at 30 September 2020 and 31 March 2020 are as follows:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within one year	7,124	6,258
Total contract assets	<u>7,124</u>	<u>6,258</u>

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

	<i>HK\$'000</i>
At 1 April 2019	5,927
Addition during the year	6,631
Transfer to trade receivables during the year	(5,941)
Provision for impairment	(359)
As at 31 March 2020	6,258
Addition during the Relevant Period	1,382
Transfer to trade receivables during the Relevant Period	(516)
As at 30 September 2020	<u>7,124</u>

An impairment analysis is performed at each reporting date using an individual customer basis to measure expected credit losses (“ECLs”). The provision rates for the measurement of the ECLs of the contract assets are with reference to those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The loss rates of contract assets are with reference to days past due of each individual customer in trade receivables, i.e. under “current not yet due”. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions..

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

	<i>HK\$'000</i>
At 1 April 2019 (Audited)	172
Provision of impairment loss on contract assets	187
As at 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	<u>359</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Gross carrying amount	7,483	6,617
Expected credit losses	<u>359</u>	<u>359</u>

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (a)</i>)	21,445	19,643
Other receivables	7,068	8,043
Prepayments	447	177
Deposits	671	844
	<u>29,631</u>	<u>28,707</u>
Less: Expected credit losses	(8,028)	(8,028)
	<u>21,603</u>	<u>20,679</u>

Note:

(a) Trade receivables

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables, for gross (<i>Note</i>)	21,445	19,643
Less: Expected credit loss	(1,457)	(1,457)
	<u>19,988</u>	<u>18,186</u>

Note:

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

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Less than 1 month	6,900	10,064
1 to 3 months	11,337	6,417
More than 3 months but less than one year	1,410	1,610
More than one year	341	95
	<u>19,988</u>	<u>18,186</u>

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.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	24,318	26,325
Other payables and accruals	12,084	8,047
	<u>36,402</u>	<u>34,372</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Less than 1 month	9,663	8,856
1 to 3 months	6,862	12,410
More than 3 months but less than one year	5,119	2,449
More than one year	2,674	2,610
	<u>24,318</u>	<u>26,325</u>

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

14. OTHER BORROWING

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Borrowing-unsecured	<u>5,000</u>	<u>–</u>
Total borrowing	<u><u>5,000</u></u>	<u><u>–</u></u>

The borrowing is unsecured, carries a fixed rate of 30% per annum and should be repayable on 28 September 2020. For details, please refer to the announcements dated on 29 July 2020 and 27 October 2020.

15. LOAN FROM A DIRECTOR

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Mr. Wong Chin To	<u>15,000</u>	<u>–</u>
	<u><u>15,000</u></u>	<u><u>–</u></u>

Loan from Mr. Wong Chin To, an executive director of the Company, the amount is interest-free, unsecured and repayable on 28 February 2021. For details, please refer to announcement dated on 31 August 2020.

16. SHARE CAPITAL

	Number	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2019, 31 March 2020 (Audited) and		
30 September 2020 (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 2019, 31 March 2020 (Audited) and		
30 September 2020 (Unaudited)	<u>800,000,000</u>	<u>8,000</u>

17. RELATED PARTY TRANSACTION

(a) Key management compensation

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and benefits	750	770	1,529	1,580
Pension scheme contributions	5	11	9	25
	<u>755</u>	<u>781</u>	<u>1,538</u>	<u>1,605</u>

(b) Transactions

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

Name of related party	Nature of transaction	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Mrs. Wong Ching Nam (a)	Staff costs charged	<u>300</u>	<u>300</u>

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

During the Relevant Period, the Group recorded an increase in turnover of approximately HK\$32.5 million or 89.5%. Its gross loss margin was approximately 15.9% as compared to gross loss margin 0.5% for the six months ended 30 September 2019. 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.

FINANCIAL REVIEW

Turnover

The Group's revenue for the Relevant Period was approximately HK\$68.8 million, representing an increase of approximately HK\$32.5 million or 89.5% as compared to the revenue for the six months ended 30 September 2019. The increase was mainly due to the increase of number of sizable projects tendered by the Group during the Relevant Period. Two of projects contributed HK\$44.1 million which represented 64.1% of the Group's revenue.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$11.0 million (2019: gross loss approximately HK\$0.2 million) and the gross loss margin was approximately 15.9% (2019: gross loss margin 0.5%). Such increase in gross loss and gross loss margin were due to one of the major projects incurred gross loss margin was approximately 17.1% as some construction work done did not agreed or certified by the main contractor at the this stage.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.5 million or 10.0% from HK\$5.5 million for the six months ended 30 September 2019 to HK\$5.0 million for the Relevant Period. The decrease was mainly due to a decrease in depreciation of property, plant and equipment included in administrative expenses by approximately HK\$0.2 million and a decrease in salary and allowances HK\$0.1 million.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$11.0 million (2019: approximately HK\$2.7 million). Such increase in loss was mainly due to the increase in gross loss.

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Current assets	35,547	46,405
Current liabilities	59,818	37,144
Current ratio	0.59	1.25

The current ratio of the Group as at 30 September 2020 was approximately 0.59 times as compared to that of approximately 1.25 times as at 31 March 2020.

As at 30 September 2020, the Group had total cash and cash equivalents of approximately HK\$6,820,000 (31 March 2020: HK\$14,561,000).

As at 30 September 2020 and 31 March 2020, the Group had other payables (non-current and part of current), loans from directors, other borrowing and leases liabilities in total of approximately HK\$43.8 million and HK\$38.5 million respectively. The scheduled repayment date of the Group were as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Within 1 year	28,077	2,670
Between 1 and 2 years	15,416	12,781
Between 2 and 5 years	263	23,031
	43,756	38,482

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as the total of lease liabilities, amounts due to directors, loans from directors and other payables (non-current and part of current) and less cash and cash equivalents. Capital represents the total of equity and net debt of the Group.

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Total debt	43,767	41,256
Less: Cash and cash equivalents	(6,820)	(14,561)
Net debt	36,947	26,695
Capital	11,252	12,009
Gearing ratio	328%	222%

Interim Dividend

The Board does not recommend the payment of interim dividend for the Relevant Period (2019: Nil).

Contingent Liabilities

As at 30 September 2020, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 September 2020, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 30 September 2020, 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 2020, the Group employed a total of 54 staff. The total employee remuneration, including remuneration of the Directors for the Relevant Period, amounted to approximately HK\$14.0 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"**).

Event after Reporting Period and Breach of Loan Agreement

The Company has obtained a loan (**"Loan"**) in the principal amount of HK\$5,000,000 from a licensed money lender in Hong Kong (the **"Lender"**) pursuant to a loan agreement dated on 28 July 2020 (**"Loan Agreement"**) entered into between the Company and the Lender, which was due on 28 September 2020 (**"Maturity Date"**). As at the Maturity Date, the aggregate outstanding amount of the Loan including interest accrued thereon amounted to HK\$5,125,000 (the **"Outstanding Amount"**). As the Company is unable to repay the Loan on the Maturity Date which is in breach of the Loan Agreement.

The Company received a statutory demand (the **"Statutory Demand"**) dated 21 October 2020 issued by the Lender demanding the Company to pay the Outstanding Amount pursuant to section 178 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), within 21 days from the date of the Statutory Demand, failing which the Lender may present a winding-up petition against the Company.

The Company is seeking legal advice in relation to the Statutory Demand. Further announcement(s) will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

For details, please refer to the announcements dated on 29 July 2020 and 27 October 2020.

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 2020, the interests and short positions of the Directors and chief executive of the Company (the “**Chief Executive**”) in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (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.

Mr. Zhang Weijie retired as an executive Director on 21 August 2020, 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 2020, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 6)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000 (L)	75.0%
		83,977,158 (S)	10.5%
Fok Hei Yu (Note 2)	Person having a security interest in shares	600,000,000 (L)	75.0%
Chow Wai Shing Daniel (Note 2)	Person having a security interest in shares	600,000,000 (L)	75.0%
China Huarong Macau (HK) Investment Holdings Limited (“China Huarong Macau”) (Notes 1 & 3)	Security interest	600,000,000 (L)	75.0%
China Huarong (Macau) International Company Limited (“China Huarong International”) (Note 3)	Interest of a controlled corporation	600,000,000 (L)	75.0%

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 6)
Huarong (HK) Industrial Financial Investment Limited (“ Huarong (HK) Industrial ”) (Note 3)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Huarong Real Estate Co., Limited (“ Huarong Real Estate ”) (Note 3)	Interest of a controlled corporation	600,000,000 (L)	75.0%
China Huarong Asset Management Co., Limited (“ China Huarong Asset ”) (Note 3)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Ministry of Finance of the People’s Republic of China (“ Ministry of Finance ”) (Note 3)	Interest of a controlled corporation	600,000,000 (L)	75.0%
Freeman Union Limited (“ Freeman Union ”) (Note 4)	Beneficial owner	63,660,000 (L)	7.96%
Freeman United Investments Limited (“ Freeman United Investments ”) (Note 4)	Interest of a controlled corporation	63,660,000 (S)	7.96%
Ambition Union Limited (“ Ambition Union ”) (Note 4)	Interest of a controlled corporation	63,660,000 (L)	7.96%
Freeman Corporation Limited (“ Freeman Corporation ”) (Note 4)	Interest of a controlled corporation	63,660,000 (S)	7.96%
Freeman Financial Investment Corporation (“ Freeman Financial Investment ”) (Note 4)	Interest of a controlled corporation	63,660,000 (L)	7.96%
Freeman Fintech Corporation Limited (“ Freeman Fintech Corporation ”) (Note 4)	Interest of a controlled corporation	63,660,000 (S)	7.96%
Prosper Talent Limited (“ Prosper Talent ”) (Note 5)	Person having a security interest in shares	63,660,000 (L)	7.96%
CCBI Investments Limited (“ CCBI Investments ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%
CCB International (Holdings) Limited (“ CCB International ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%
CCB Financial Holdings Limited (“ CCB Financial ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%
CCB International Group Holdings Limited (“ CCB International Group ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%
China Construction Bank Corporation (“ China Construction Bank ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%
Central Huijin Investment Ltd. (“ Central Huijin ”) (Note 5)	Security interest of controlled corporation	63,660,000 (L)	7.96%

(L): Long position

(S): Short position

Notes:

1. Steel Dust had executed a charge over its security account deposited with 600,000,000 shares in the share capital of the Company in favour of China Huarong Macau as security for a term loan facility granted to Steel Dust. China Huarong Macau thus has security interest over these shares.
2. Fok Hei Yu and Chow Wai Shing Daniel of FTI Consulting (Hong Kong) Limited were appointed by China Huarong Macau as receivers pursuant to shares charge dated 30 August 2017 entered into by Steel Dust as chargor and China Huarong Macau as chargee. For details, please refer to the announcement of the Company dated 24 June 2020.
3. China Huarong Macau is wholly-owned by China Huarong International. China Huarong International is owned as to 51% by Huarong (HK) Industrial. Huarong (HK) Industrial is wholly-owned by Huarong Real Estate. Huarong Real Estate is wholly-owned by China Huarong Asset, which is owned as to 65% by Ministry of Finance. Thus, China Huarong Macau, China Huarong International, Huarong (HK) Industrial, Huarong Real Estate, China Huarong Asset and Ministry of Finance are deemed to be interested in the 600,000,000 shares of the Company.
4. Freeman Union is the beneficial owner of 63,660,000 shares of the Company and is wholly owned by Freeman United Investments. Freeman United Investments is wholly owned by Ambition Union. Ambition Union is owned as to 76% by Freeman United Investments and as to 24% Freeman Corporation. Freeman Corporation is wholly owned by Freeman Financial Investment. Freeman Financial Investment is wholly owned by Freeman Fintech Corporation. Therefore, Freeman United Investments, Ambition Union, Freeman Corporation, Freeman Financial Investment and Freeman Fintech Corporation are deemed to be interested in the 63,660,000 shares of the Company held by Freeman Union.
5. Based on the notification filed to the Company, Freeman Fintech Corporation pledged 63,660,000 shares to Prosper Talent. Prosper Talent is a wholly owned subsidiary of CCBI Investments, which in turn is a wholly owned subsidiary of CCB International, which in turn is a wholly owned subsidiary of CCB Financial, which in turn is a wholly owned subsidiary of CCB International Group, which in turn is a wholly owned subsidiary of China Construction Bank, which is 57.11% held by Central Huijin. Therefore, CCBI Investments, CCB International, CCB Financial, CCB International Group, China Construction Bank and Central Huijin are deemed to be interested in the 63,660,000 shares of the Company held by Prosper Talent.
6. The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

COMPETING INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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 2020 are set out below:

- Mr. Zhang Weijie retired as an executive Director with effect from 21 August 2020.
- Mr. Duan retired as an executive Director and the chief executive officer with effect from 21 August 2020.
- Mr. Lau Yik Lok was appointed as an executive Director and the chief executive officer with effect from 16 September 2020.

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. Sai Chun Yu. The other members are Mr. Lee Yan Sang and Mr. Lee Man Yeung. The primary duties of the Audit Committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

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

By order of the Board
Pak Wing Group (Holdings) Limited
Wong Chin To
Chairman

Hong Kong, 11 November 2020

As at the date of this announcement, the executive Directors are Mr. Wong Chin To and Mr. Lau Yik Lok, and the independent non-executive Directors are Mr. Sai Chun Yu, Mr. Lee Yan Sang and Mr. Lee Man Yeung.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the Company’s website at www.pakwingc.com.