QUANTONG HOLDINGS LIMITED
全通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8316)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

*This announcement, for which the directors (the "**Director(s)**") of Quantong 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 RESULTS

The board of Directors (the "**Board**") hereby announces the audited consolidated financial results of the Group for the year ended 31 March 2021 together with the comparative audited figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	*5*	**104,601**	99,833
Cost of services		**(120,414)**	(104,693)
Gross loss		**(15,813)**	(4,860)
Other income	*6*	**5,553**	16,932
Administrative expenses		**(17,423)**	(18,152)
Finance costs	*8*	**(1,678)**	(1,633)
Loss before income tax	*7*	**(29,361)**	(7,713)
Income tax (expense)/credit	*9*	**(89)**	506
Loss and total comprehensive expense for the year attributable to the owners of the Company		**(29,450)**	(7,207)
		HK cents	*HK cents*
Losses per share			
— Basic and diluted	*11*	**(3.68)**	(0.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		**5,398**	14,774
Current assets			
Contract assets		**7,014**	6,258
Inventories		**–**	4,907
Trade and other receivables	*12*	**10,509**	20,679
Cash and cash equivalents		**1,191**	14,561
		18,714	46,405
Total assets		**24,112**	61,179
Current liabilities			
Trade and other payables	*13*	**22,493**	34,372
Other borrowings	*14*	**14,783**	–
Lease liabilities		**2,819**	2,670
Provision for taxation		**102**	102
		40,197	37,144
Net current (liabilities)/assets		**(21,483)**	9,261
Total assets less current liabilities		**(16,085)**	24,035
Non-current liabilities			
Other borrowings	*14*	**4,497**	9,667
Amount due to a shareholder	*3(b)*	**7,655**	–
Loan from a related party	*3(b)*	**15,050**	–
Amounts due to then directors		**–**	2,774
Loan from then directors		**–**	24,220
Lease liabilities		**625**	1,925
Deferred tax liabilities		**224**	135
		28,051	38,721
NET LIABILITIES		**(44,136)**	(14,686)
DEFICITS			
Equity attributable to owners of the Company			
Share capital		**8,000**	8,000
Reserves		**(52,136)**	(22,686)
TOTAL DEFICITS		**(44,136)**	(14,686)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL

The Company (formerly known as Pak Wing Group (Holdings) Limited) was incorporated in the Cayman Islands, 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 has been changed from Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands with effective on 16 December 2020, and the Company's head office and principal place of business is 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 22 January 2021, the shareholders of the Company have approved to change the English name of the Company from "Pak Wing Group (Holdings) Limited" to "Quantong Holdings Limited" and its Chinese name of "柏榮集團（控股）有限公司", which is for identification purpose only, has been replaced by "全通控股有限公司" as the dual foreign name in Chinese of the Company (the "**Change of Company Name**").

Pursuant to the announcement of the Company dated 22 December 2020, Steel Dust Limited, the then substantial shareholder of the Company and acting by receivers as its attorney, entered into a sale and purchase deed on 14 December 2020 to sell 600,000,000 shares of the Company (representing 75.00% of the then entire issued share capital of the Company as at the date of 17 December 2020), at the consideration of HK$40,000,000 to Quantong Group Holdings Limited. Upon completion of the sale on 17 December 2020, Quantong Group Holdings Limited becomes the immediate holding company and the ultimate parent of the Company.

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

(a) Adoption of new/revised HKFRSs — effective on 1 April 2020

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Set out below are those that are relevant to the Group's consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The application of other amendments to HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions: Extension of Practical Expedient. Impact on the applications of HKFRS 16, Covid-19-Related Rent Concessions is summarised below.

Early adoption of revised standard — Amendment to HKFRS 16 — Covid-19-Related Rent Concessions: Extension of Practical Expedient

The Group has early adopted Amendment to HKFRS 16 — COVID-19-Related Rent Concessions — Extension of Practical Expedient retrospectively from 1 April 2020. The amendment provides a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease. Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concessions.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. Rent concessions totalling HK$60,000 have been accounted for as negative variable lease payments and recognised in the consolidated statement of profit or loss for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities.

As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[1]

[1] Effective for annual periods beginning on or after 1 January 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3. BASIS OF PRESENTATION AND PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of preparation and going concern assumption

The consolidated financial statements have been prepared on a historical cost basis.

The Group continued to sustain a gross loss of approximately HK$15,813,000 and generated a net loss of approximately HK$29,450,000 for the year ended 31 March 2021. In addition, the Group had net current liabilities and net liabilities of approximately HK$21,483,000 and HK$44,136,000, respectively, as at 31 March 2021. 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 Directors, based on a cash flow forecast of the Group prepared by them covering a period up to 30 June 2022 (the "**Cash Flow Forecast**"), are satisfied that the Group will be able to meet its financial obligations as and when they fall due. In preparing the Cash Flow Forecast, the Directors have taken account of the following:

(i) Mr. Xing Yuan ("**Mr. Xing**"), an executive director and the beneficial owner of the ultimate holding company of the Company, has agreed in writing not to demand repayment of the amount due from the Company of HK$7,655,000 as at 31 March 2021 within fifteen months from 31 March 2021. Mr. Xing also agreed to grant further extension of the outstanding balance until the Company is able to meet its obligations.

(ii) In June 2021, Mr. Xing entered into a loan facility agreement with an independent financial institution in Hong Kong for an amount of HK$60 million for eighteen months (the "**Loan Facility**") and made the Loan Facility available to the Company and pursuant to the terms of the Loan Facility, funds are exclusively for the Company upon its request.

(iii) On 21 June 2021, Mr. Xing personally entered into a loan facility with the Company at an amount of HK$20 million to the Company. The loan is unsecured, interest free and matures in 18 months from agreement date of the loan facility. At the reporting date, an amount of HK$9.3 million has been utilised by the Company.

(iv) Mr. Fu Yik Lung ("**Mr. Fu**"), a related party of the Company, has agreed in writing not to demand repayment of the amount due from the Company of HK$15,050,000 as at 31 March 2021 within fifteen months from 31 March 2021. Mr. Fu also agreed to grant further extension of the outstanding balance until the Company is able to meet its obligations.

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

(c) Functional and presentation currencies

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SEGMENT INFORMATION

Operating segments

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

Geographical information

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

Information about major customers

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

	2021	2020
	HK$'000	*HK$'000*
Customer A	**85,881**	32,023
Customer B	**11,414**	24,444
Customer C	**N/A**	21,484
Customer D	**N/A**	13,985

N/A: The relevant revenue for the years ended 31 March 2021 and 2020, respectively, did not exceed 10% of the Group's revenue.

5. REVENUE

The Group's revenue represents amounts received and receivable from contract work performed and is recognised over time for the years ended 31 March 2021 and 2020.

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised over time		
Foundation construction	**104,601**	99,833

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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables *(Note 12)*	**8,514**	19,643
Contract assets	**7,061**	6,617

The Group has applied the practical expedient to its contracts for foundation construction services and therefore, the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction production that had an original expected duration of one year or less.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of the foundation business. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses. During the years ended 31 March 2021 and 2020, the Group did not have any contracts with completion bonuses.

6. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipments, net	**2,509**	15,173
Rental income from leasing machineries	**159**	1,172
Covid-19 related rent concessions *(Note (i))*	**60**	–
Government grants *(Note (ii))*	**2,813**	–
Others	**12**	587
	5,553	16,932

Notes:

(i) The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

(ii) During the year ended 31 March 2021, the Group received government grants from the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (the "**HKSAR Government**") under a One-off Subsidy Scheme as financial support for its businesses. There are no unfilled conditions or other contingencies attaching to these grants.

7. LOSS BEFORE INCOME TAX

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

	2021	2020
	HK$'000	*HK$'000*
Depreciation charge:		
— Owned properties, plant and equipment	**2,910**	3,435
— Right-of-use assets	**2,115**	1,184
	5,025	4,619
Auditor's remuneration	**610**	580
Impairment loss of property, plant and equipment *(Note (i))*	**3,665**	–
Loss on written off of property, plant and equipment	**1,488**	–
Lease payments not included in the measurement of lease liabilities		
— Land and buildings	**–**	1,158
(Reversal of)/provision of impairment loss on contract assets	**(312)**	187
(Reversal of)/provision of impairment loss on trade receivables	**(1,178)**	1,192
(Reversal of)/provision of impairment loss on other receivables	**(807)**	5,223
Employee benefit expenses	**25,183**	26,500

Note:

(i) As at year ended 31 March 2021, management of the Group concluded there was indication of impairment for foundation construction CGU ("CGU") as it did not operate as expected and conducted impairment assessment on recoverable amounts of property, plant and equipment other than right-of-use assets and right-of-use assets with carrying amounts (before impairment) of HK$4,104,000, and HK$4,959,000 respectively in the CGU.

The recoverable amount of CGU has been determined based on fair value less cost of disposal calculation. That calculation uses direct comparison approach by assuming sale of the assets in its existing state and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the quoted price transactions in similar assets adjusted for differences in condition between the comparable assets and the subject assets. The fair value less cost of disposal is classified as a Level 3 measurement.

Based on the result of the assessment, management of the Group determined the recoverable amount of the CGU is lower than the carrying amount and impairment of HK$2,028,000 and HK$1,637,000 has been recognised against the carrying amount of property, plant and equipment other than right-of-use assets and right-of-use assets respectively in profit or loss in 2021 against the carrying amount of respective assets used in foundation construction CGU. No impairment loss has been recognised or reversed in 2020.

8. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on loan from other borrowings	**1,409**	1,567
Interest on lease liabilities	**269**	66
	1,678	1,633

9. INCOME TAX (EXPENSE)/CREDIT

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

	2021	2020
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
— charge for the year	**–**	(102)
Deferred tax	**(89)**	608
Income tax (expense)/credit	**(89)**	506

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 March 2021. According to the Inland Revenue (Amendment) Bill 2017, which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporation is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%.

No provision for Hong Kong profits tax was made for the year ended 31 March 2021 as the group entities which are subject to Hong Kong profits tax either incurred losses for the year or had tax losses brought forward to set off with the assessable profits for the year.

Income tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2020: Nil).

10. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2021 and 2020.

11. LOSSES PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic losses per share	**(29,450)**	(7,207)

	Number of shares	Number of shares
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share	**800,000**	800,000

There were no potential ordinary shares in issue for the years ended 31 March 2021 and 2020. Accordingly, the diluted losses per share presented is the same as the basic losses per share.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**8,514**	19,643
Other receivables *(Note (b))*	**7,078**	8,043
Prepayments *(Note (b))*	**330**	177
Deposits *(Note (b))*	**630**	844
	16,552	28,707
Less: provision of impairment loss	**(6,043)**	(8,028)
	10,509	20,679

(a) Trade receivables

	2021	2020
	HK$'000	*HK$'000*
Trade receivables, gross *(Note)*	**8,514**	19,643
Less: provision of impairment loss	**(279)**	(1,457)
Trade receivables, net	**8,235**	18,186

Note: Trade receivables were mainly derived from the provision of foundation works and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

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

	2021	2020
	HK$'000	*HK$'000*
Current or less than one month	**7,047**	10,064
One to three months	**745**	6,417
More than three months but less than one year	**443**	1,610
More than one year	**–**	95
	8,235	18,186

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

The movements in provision for impairment loss of trade receivables are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 April	**1,457**	265
(Reversal of)/provision for impairment loss on trade receivables	**(1,178)**	1,192
At 31 March	**279**	1,457

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

(b) Other receivables, prepayments and deposits

	2021	2020
	HK$'000	*HK$'000*
Other receivables *(Note (i))*	**7,078**	8,043
Prepayments	**330**	177
Deposits *(Note (ii))*	**630**	844
	8,038	9,064
Less: provision of impairment loss	**(5,764)**	(6,571)
	2,274	2,493

Notes:

(i) As at 31 March 2021, the other receivables mainly comprised sales proceeds of machineries and motor vehicles of approximately HK$100,000 (2020: HK$100,000); advance payments to subcontractors of approximately HK$6,507,000 (2020: HK$6,922,000); rental receivables of approximately HK$361,000 (2020: HK$418,000); and other receivables of staff advance of approximately HK$91,000 (2020: HK$182,000).

(ii) As at 31 March 2021 and 2020, respectively, the deposits mainly comprised rental deposits of office, warehouse, carpark and machinery.

Upon adoption of HKFRS 9, the 12-month expected credit losses ("**ECLs**") was determined based on historical settlement records and past experience with these debtors, as well as credit risk and other market factors. As at 31 March 2021, the recognition of ECLs decreased from HK$6,571,000 to HK$5,764,000 (2020: increased from HK$1,348,000 to HK$6,571,000).

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**18,104**	26,325
Accruals *(Note (b))*	**4,389**	8,047
	22,493	34,372

Notes:

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

	2021	2020
	HK$'000	*HK$'000*
Current or less than one month	**1,779**	8,856
One to three months	**4,682**	12,410
More than three months but less than one year	**5,740**	2,449
More than one year	**5,903**	2,610
	18,104	26,325

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

(b) As at 31 March 2021, accruals mainly comprised (i) accrued expenses for subcontractors of approximately HK$2,236,000 (2020: HK$4,159,000); (ii) accrued salary and wages of approximately HK$828,000 (2020: HK2,515,000); and (iii) accrued audit fee of approximately HK$611,000 (2020: HK$580,000). The balances of accruals are non-interest bearing and have average payment terms of one to three months.

14. OTHER BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Current:		
Mr. Zhang Weijie ("**Mr. Zhang**") *(Note (a))*	**11,334**	–
Mr. Wong Chin To ("**Mr. Wong**") *(Note (b))*	**1,268**	–
Mr. Tse Chun Kit ("**Mr. Tse**") *(Note (c))*	**2,181**	–
	14,783	–
Non-current:		
Mr. Tse *(Note (c))*	**4,497**	9,667
	4,497	9,667

At the end of the reporting date, total current and non-current other borrowings were scheduled to repay as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**14,783**	–
Between one and two years	**4,497**	9,667
Between two and five years	**–**	–
	19,280	9,667

Notes:

(a) Mr. Zhang granted two loans to the Company at principal amount of HK$3,477,000 and HK$3,787,000, respectively, on 31 March 2018. The loans are unsecured, with interest rate at 5% per annum and will expire on 30 June 2021. As at 31 March 2021, the accumulated loan interest is approximately HK$1,376,000 (2020: HK$942,000) and payable with the principal amount on the expiry date. Pursuant to the annual general meeting on 21 August 2020, Mr. Zhang retired as an executive Director, and therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loan from directors as at 31 March 2021. The remaining balance of other borrowings represent other cash advances of HK$2,694,000 (2020: HK$2,237,000) and the cash advance from Mr. Zhang is unsecured, interest-free and repayable on demand.

	2021	2020
	HK$'000	*HK$'000*
Loan borrowings	**7,264**	–
Interest payable	**1,376**	–
Cash advance	**2,694**	–
	11,334	–

(b) Mr. Wong granted two new loans to Pak Wing Construction Company Limited ("**Pak Wing Construction**"), a wholly owned subsidiary of the Company, at principal amount of HK$1,000,000 and HK$800,000, respectively, on 23 December 2020 and 15 March 2021, respectively, to support the operation of Pak Wing Construction. The loans are unsecured, with interest rate at 5% per annum and repayable on demand. The accumulated loan interest is approximately HK$20,000 and payable on demand. Mr. Wong resigned as an executive Director on 10 February 2021 and therefore, the outstanding balance was reclassified as other borrowings from amounts due from directors and loan from directors as at 31 March 2021. The remaining balance of other borrowings represents other cash advances from Mr. Wong of HK$22,000 (2020: HK$537,000) and the cash advance are unsecured, interest-free and repayable on demand.

	2021	2020
	HK$'000	*HK$'000*
Loan borrowings	**1,226**	–
Interest payable	**20**	–
Cash advance	**22**	–
	1,268	–

(c) The amount due to Mr. Tse, a director of Pak Wing Construction, comprises the remaining loans balance of approximately HK$4,468,000 (2020: HK$7,665,000), accumulated interest payable of the loans of approximately HK$1,497,000 (2020: HK$1,289,000) and cash advance to Pak Wing Construction at amount of approximately HK$713,000.

The loans from Mr. Tse are unsecured, with fixed interest rate at a range of 3%–5% per annum, are repayable in June 2021 and September 2022, respectively. The corresponding loan interests of approximately HK$1,497,000 will be settled according to the loan expiry date. The cash advance from Mr. Tse is unsecured, interest-free and repayable on demand.

Mr. Tse agreed not to demand repayment of the accrued interest and cash advance within twelve months from the year ended 31 March 2020, and therefore they are classified as non-current liabilities as at 31 March 2020. No such arrangement was made for the year ended 31 March 2021.

	2021	2020
	HK$'000	*HK$'000*
Loan borrowings	**4,468**	7,665
Interest payable	**1,497**	1,289
Cash advance	**713**	713
	6,678	9,667
Less: Non-current other borrowing *(Note (i))*	**(4,497)**	(9,667)
Other borrowings — current	**2,181**	–

Note:

(i) The Group's cash advance and loan borrowings were previously presented as non-current other payables in the consolidated statement of financial position. The Group reclassified the balance of cash advance, loan borrowings and interest payable to reflect more appropriately the way in which are presented in separate line item as other borrowings in the consolidated statement of financial position. Therefore, as at 31 March 2020, the non-current other payables of HK$9,667,000, including cash advance, loan borrowings and interest payable was reclassified to non-current other borrowings to confirm with current year presentation.

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 2021.

"Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3(b) 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 2021, which amounted to approximately HK$15,813,000 and HK$29,450,000, respectively. In addition, the Group had net current liabilities and net liabilities of approximately HK$21,483,000 and HK$44,136,000, respectively, as at 31 March 2021. As stated in Note 3(b), these conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

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.

The outbreak of the COVID-19 has a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages due to measures imposed by the Hong Kong Government. The Group's performance was adversely affected by the unexpected increase in cost of services and prolonged project period. During the year ended 31 March 2021, the Group recorded gross loss margin of approximately 15.1% as compared to gross loss margin of approximately 4.9% for the year ended 31 March 2020.

Despite the unfavourable market conditions such as keen competition due to the growing number of market players, continuously increasing construction costs due to labour shortage, increasingly stringent regulatory controls and rising construction material and operation costs, which adversely affected the Group's gross profit margin, the Directors are of the view that the market conditions of the construction industry will start to improve and consider that with the Group's business presence and good reputation in the market, the Group is well-positioned to compete with its competitors against such challenges that are commonly faced by all industry players. The Group will proactively explore new opportunities to create maximum returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 March 2021 was approximately HK$104.6 million, representing an increase of approximately HK$4.8 million or 4.8% as compared to the revenue for the year ended 31 March 2020. The increase in revenue was primarily due to the increase in number of sizable projects tendered by the Group during the year with substantial works progress and thereby contributed revenue to the Group during the year ended 31 March 2021.

Cost of services

The Group's cost of services increased from approximately HK$104.7 million for the year ended 31 March 2020 to approximately HK$120.4 million for the year ended 31 March 2021, representing an increase of approximately HK$15.7 million or 15.0%. Such increase was due to the late penalty compensation, additional direct cost for delayed project completion and unexpected costs of testing for certain projects caused by unpredictable matters.

Gross Loss and Gross Loss Margin

For the year ended 31 March 2021, the Group recorded gross loss of approximately HK$15.8 million (2020: gross loss of approximately HK$4.9 million) and gross loss margin of approximately 15.1% (2020: gross loss margin of approximately 4.9%). The gross loss and gross loss margin of the Group for the year ended 31 March 2021 was due to the increase in cost of services as explained above.

Administrative Expenses

The administrative expenses decreased by approximately HK$0.8 million or 4.0% from approximately HK$18.2 million for the year ended 31 March 2020 to approximately HK$17.4 million for the year ended 31 March 2021. The decrease was mainly due to the effect of provision for impairment loss on trade and other receivables by approximately HK$6,415,000 for the year ended 31 March 2020. Such effect was partially offset by the impairment loss of property, plant equipment of approximately HK$3,665,000 and legal and professional fees incurred in relation to the one-off cash offer transaction in respect of shares of the Company during the year ended 31 March 2021.

Finance Costs

Finance costs of the Group were approximately HK$1.7 million and HK$1.6 million for the year ended 31 March 2021 and 2020, respectively. Finance costs consist of interest on loans from other borrowings and interest on lease liabilities.

Loss and Total Comprehensive Expense attributable to Owners of the Company

Net loss and total comprehensive expense for the year ended 31 March 2021 was approximately HK$29.5 million (2020: approximately HK$7.2 million). Such increase in loss was mainly due to decrease in net gain on disposal of property, plant and equipment by approximately HK$12.7 million and increase in gross loss by approximately HK$10.9 million as explained above.

Liquidity, Financial Resources and Capital Structure

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

	2021	2020
	HK$'000	*HK$'000*
Current assets	**18,714**	46,405
Current liabilities	**40,197**	37,144
Current ratio	**0.47**	1.25

The current ratio of the Group as at 31 March 2021 was approximately 0.47 times as compared to that of approximately 1.25 times as at 31 March 2020.

As at 31 March 2021, the Group had total cash and cash equivalents of approximately HK$1.2 million (2020: approximately HK$14.6 million).

As at 31 March 2021 and 31 March 2020, the Group had other borrowings, amount due to a shareholder/then directors, loan from a related party/then directors and lease liabilities in total of approximately HK$45.4 million and HK$41.2 million respectively. The scheduled repayment date of the Group were as follows:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**17,602**	2,670
Between one and two years	**27,827**	15,555
Between two and five years	**–**	23,031
	45,429	41,256

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. Net debts are calculated as the total of lease liabilities, amount due to a shareholder loan from a related party and other borrowings and less cash and cash equivalents. Capital represents the total of equity and net debts of the Group.

	2021	2020
	HK$'000	*HK$'000*
Total debt	**45,429**	41,256
Less: Cash and cash equivalents	**(1,191)**	(14,561)
Net debt	**44,238**	26,695
Capital	**102**	12,009
Gearing ratio	**434**	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 98.7% of which was derived from five major customers as at 31 March 2021 (2020: approximately 96.7%). As the customers of the Group are reputable corporations, the credit risk is considered to be low. The Group's major bank balances are deposited with banks with good reputation and hence the management does not expect any losses from non-performance by these banks. In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

Dividend

The Board does not recommend any final dividend for the year ended 31 March 2021 (2020: Nil).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2021.

Pledge of Assets

As at 31 March 2021, the Group had no assets pledged for bank borrowings or for other purpose.

Capital Commitments

As at 31 March 2021, the Group did not have other significant capital commitments.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2021, 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 2021, there was no significant investment held by the Group.

Future Plan for Material Investments and Capital Assets

The Group did not have any concrete plan for material investments or capital assets as at 31 March 2021.

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 2021, the Group employed a total of 50 staff (2020: 60 staff). The total employee remuneration, including remuneration of the Directors, for the year ended 31 March 2021 amounted to approximately HK$25,183,000 (2020: approximately HK$26,500,000).

The Group entered into separate labour contracts with each of the 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.

Segment Information

Segment information is presented for the Group as disclosed in Note 4 to the consolidated financial statements in this announcement.

MANDATORY UNCONDITIONAL CASH OFFER

Upon completion of the acquisition of 600,000,000 shares of the Company by Quantong Group Holdings Limited (the "**Offeror**") on 17 December 2020, the Offeror and parties acting in concert with it were interested in 600,200,000 shares of the Company, representing approximately 75.03% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, the Offeror had made a mandatory unconditional cash offer (the "**Offer**") for all the issued shares of the Company other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (the "**Offer Share(s)**"). The offer price for each Offer Share was HK$0.075 in cash and the Offer was unconditional in all respects. During the offer period, there was 1 valid acceptance in respect of 40,000 Offer Shares under the Offer, representing approximately 0.005% of the entire issued share capital of the Company as at the closing date of the Offer (i.e. 10 February 2021).

For further details of the Offer, please refer to the joint announcements of the Company and the Offeror dated 22 December 2020, 12 January 2021, 20 January 2021 and 10 February 2021, as well as the composite document jointly issued by the Company and the Offeror dated 20 January 2021.

CHANGE OF COMPANY NAME

Subsequent to the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting of the Company held on 22 January 2021 and upon the approval of the registration of the new name of the Company by the Registrar of Companies in the Cayman Islands and issuance of the Certificate of Incorporation on Change of Name of the Company on 26 January 2021, the English name of the Company has been changed from "Pak Wing Group (Holdings) Limited" to "Quantong Holdings Limited" and its Chinese name of "柏榮集團（控股）有限公司", which is for identification purpose only, has been replaced by "全通控股有限公司" as the dual foreign name in Chinese of the Company, with effect from 26 January 2021. For further details, please refer to the announcement of the Company dated 23 February 2021.

EVENT AFTER THE REPORTING PERIOD

On 24 May 2021, Ms. Li On Lok resigned from her role as (i) the company secretary of the Company (the "**Company Secretary**"); (ii) an authorised representative (under Rule 5.24 of the GEM Listing Rules) and (iii) the authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) (collectively, the "**Authorised Representatives**") of the Company.

Ms. Wong Ka Yan has been appointed as the Company Secretary and Authorised Representatives with effect from 24 May 2021. Details of the change of Company Secretary and Authorised Representatives are set out in the announcement of the Company dated 24 May 2021.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2021 and the financial position of the Group at that date are set out in the consolidated financial statements in this announcement.

The Board does not recommend any final dividend for the year ended 31 March 2021.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices. During the year ended 31 March 2021, to the best knowledge of the Board, the Company has complied with the applicable code provisions of the CG Code except for the deviation from code provision A.2.7 of the CG Code which is explained below:

Pursuant to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors, without the presence of other directors. For the year ended 31 March 2021, the chairman of the Board (the "**Chairman**") did not hold meetings with the independent non-executive Directors without the presence of the executive Directors and the non-executive Director, which deviates from code provision A.2.7, due to the tight schedule of the Chairman and the independent non-executive Directors to arrange for additional meetings. As the independent non-executive Directors may discuss with the Chairman directly at any time to share their view on the Company's affairs, the Company considers that there are sufficient channels of communication for discussion of the Company's affair between the Chairman and independent non-executive Directors in the absence of other Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.68 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry to all the Directors and each of them was in compliance with the Required Standard of Dealings throughout the year under review. Further, the Company was not aware of any non-compliance with the Required Standard of Dealings by the Directors throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 6 July 2015. The chairman of the Audit Committee is Mr. Wong Chun Hung, an independent non-executive Director, and other members include Ms. Wong Chi Yan and Mr. Kung Wai Chiu Marco, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company's website.

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

The Company has complied with Rule 5.28 of the GEM Listing Rules with three members comprising independent non-executive Directors only and at least one of the members of the Audit Committee is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

During the year ended 31 March 2021, the Audit Committee has held 5 meetings, including to review and comment on the Company's 2020 annual results, interim results and quarterly results as well as the Company's material control procedures and risk management system.

The Group's consolidated financial statements for the year ended 31 March 2021 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 ended 31 March 2021 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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 2021 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 ended 31 March 2021. 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 HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

APPRECIATION

The Company would like to thank the Group's customers, suppliers and business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the year.

By order of the Board
Quantong Holdings Limited
Xing Yuan
Chairman

Hong Kong, 30 June 2021

As at the date of this announcement, the Board comprises (i) Mr. Xing Yuan (Chairman), Mr. Ji Zhendong, Mr. Lai Yanjun and Ms. Xu Zhi as executive Directors; (ii) Mr. Xing Lei as non-executive Director; and (iii) Mr. Wong Chun Hung, Mr. Kung Wai Chiu Marco and Ms. Wong Chi Yan as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.quantongholdings.com.