

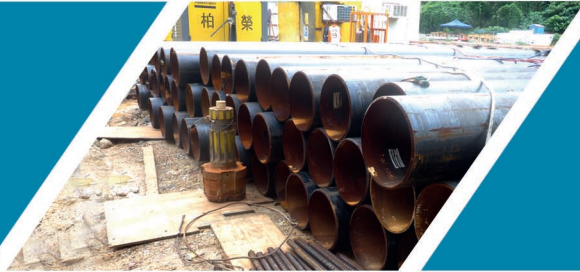


柏榮集團(控股)有限公司

PAK WING GROUP (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8316



First Quarterly Report
2018





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.

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This report, for which the directors (the “Directors”) of Pak Wing Group (Holdings) Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

FINANCIAL RESULTS

The board of Directors (the "Board") would like to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2018 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2018

| | Notes | Three months ended 30 June | |
|----------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 3 | 16,854 | 24,454 |
| Cost of services | | (14,859) | (26,049) |
| Gross profit/(loss) | | 1,995 | (1,595) |
| Other income | | 88 | 174 |
| Administrative expenses | | (3,754) | (4,177) |
| Finance costs | 4 | (324) | (249) |
| Loss before income tax expense | 5 | (1,995) | (5,847) |
| Income tax expense | 6 | (109) | (240) |
| Loss and total comprehensive income for the period attributable to the owners of the Company | | (2,104) | (6,087) |
| | | HK cents | HK cents |
| Loss per share | | | |
| – Basic and diluted | 7 | (0.263) | (0.761) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

| | Attributable to the owners of the Company | | | | | Total HK\$'000 |
|----------------------------------------------------------------|-------------------------------------------|------------------------------|-------------------------------|-----------------------------------|--------------------------------|-------------------|
| | Share Capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Accumulated losses HK\$'000 | Capital reserve HK\$'000 | |
| As at 1 April 2018 (Audited) | 8,000 | 82,525 | (51,705) | (40,544) | 3,118 | 1,394 |
| Loss and total comprehensive income for the Relevant Period | - | - | - | (2,104) | - | (2,104) |
| As at 30 June 2018 (Unaudited) | 8,000 | 82,525 | (51,705) | (42,648) | 3,118 | (710) |
| As at 1 April 2017 (Audited) | 8,000 | 82,525 | (51,705) | (15,628) | 982 | 24,174 |
| Loss and total comprehensive income for the period | - | - | - | (6,087) | - | (6,087) |
| As at 30 June 2017 (Unaudited) | 8,000 | 82,525 | (51,705) | (21,715) | 982 | 18,087 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office and principal place of business of the Company are located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong, respectively. The Company is an investment holding company and the shares were listed on GEM on 10 August 2015. The Group is principally engaged in the foundation works business as a contractor 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 the accounting policies, which conforms with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the GEM Listing Rules.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group.

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

| | |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Annual Improvements to HKFRSs 2014-2016 Cycle | Amendments to the following two HKFRSs: – HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – HKAS 28 Investments in Associates and Joint Ventures |

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

| | |
|-------------------------------------------|----------------------------------------------------------------------------------------------------|
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation ¹ |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| HKFRS 16 | Leases ¹ |
| HKFRS 17 | Insurance Contracts ³ |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures ¹ |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments ¹ |
| Annual Improvements to 2015-2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 And HKAS 23 ¹ |

1. Effective for annual periods beginning on or after 1 January 2019

2. No mandatory effective date yet determined but available for adoption

3. Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

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

3. REVENUE AND SEGMENT INFORMATION

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

Operating segment

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

Geographical information

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

4. FINANCE COSTS

| | Three months ended 30 June | |
|-----------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Interest on finance leases | 56 | 174 |
| Interest on loan from a former director | 125 | - |
| Interest on loans from directors | 143 | 75 |
| | 324 | 249 |

5. LOSS BEFORE INCOME TAX EXPENSE

| | Three months ended 30 June | |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Loss before income tax expense has been arrived at after charging: | | |
| Employee benefit expense (including Directors' remuneration) | 6,179 | 5,682 |
| Depreciation of property, plant and equipment | 2,744 | 3,359 |
| Operating lease rentals in respect of: | | |
| – Land and building | 707 | 742 |
| – Plant and equipment | 116 | 967 |

6. INCOME TAX EXPENSE

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

| | Three months ended 30 June | |
|-----------------------------|----------------------------|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax for the period: | | |
| Hong Kong profits tax | – | – |
| Deferred tax | 109 | 240 |
| | 109 | 240 |

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

7. LOSS PER SHARE

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

| | Three months ended 30 June | |
|------------------------------------------------------------------------------------------------|------------------------------|-----------------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss | | |
| Loss for the purpose of calculating basic loss per share | (2,104) | (6,087) |
| | Number of shares '000 | Number of shares '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | 800,000 | 800,000 |

Diluted loss per share was the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2018 and 2017.

8. DIVIDENDS

The Directors do not recommend a payment of an interim dividend for the Relevant Period (2017: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the foundation works business as a contractor 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 a decrease in turnover of approximately HK\$7.6 million or 31.1%. Its gross profit margin was approximately 11.8% as compared to gross loss margin 6.5% for the same period in 2017. In the 2017-2018 Budget Speech, Government announced that it will spend HK\$89.1 billion on the public infrastructure. However, the Directors estimate that the growth of the overall foundation industry in Hong Kong will continue to slow down in the coming years, which will lead to an increase the competition from other contractors seeking to tender projects at low price, which will in turn affect the Group's growth and profitability.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the Relevant Period was approximately HK\$16.9 million, representing a decrease of approximately HK\$7.6 million or 31.1% as compared to the revenue for the three months ended 30 June 2017. The decrease was mainly due to one large foundation project reaching completion stage, which contributed approximately HK\$3.3 million for the Relevant Period as compared to HK\$11.4 million for the three months ended 30 June 2017.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

For the Relevant Period, the Group recorded a gross profit of approximately HK\$2.0 million (2017: gross loss approximately HK\$1.6 million) and the gross profit margin was approximately 11.8% (2017: gross loss margin 6.5%). The increased gross profit margin of the Group mainly due to an increase in gross profit margin of two larger tendered foundation construction work projects during the Relevant Period.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.4 million or 10.1%, from HK\$4.2 million for the three months ended 30 June 2017 to HK\$3.8 million for the Relevant Period. The decrease was mainly due to legal and professional expenses incurred for the three months ended 30 June 2017 in relation to the transfer of the Company's shares.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income for the Relevant Period was approximately HK\$2.1 million (2017: loss approximately HK\$6.1 million). The increase was mainly due to the increase in gross profit for the Relevant Period.

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 June 2018, 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")) 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 were as follows:

Interest and short position in ordinary shares of the Company

| Name of Director | Capacity/Nature of interests | Number of shares held | Percentage of issued shares (Note 2) |
|---------------------------|--------------------------------------|---------------------------------|-----------------------------------------|
| Mr. Zhang Weijie (Note 1) | Interest of a controlled corporation | 600,000,000(L) 83,977,158(S) | 75.0% 10.5% |

(L): Long position
(S): Short position

Notes:

- Mr. Zhang Weijie ("Mr. Zhang") beneficially owns the entire issued share capital of Steel Dust Limited ("Steel Dust"). Therefore, Mr. Zhang is deemed or taken to have an interest or short position in all the shares held by Steel Dust for the purpose of the SFO.
- The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 June 2018.

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors or the Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (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 June 2018, 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 were as follows:

| Name of shareholder | Capacity/Nature of interests | Number of shares held | Percentage of issued shares (Note 4) |
|----------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------|-----------------------------------------|
| Steel Dust Limited (Note 1) | Beneficial owner | 600,000,000(L) 83,977,158(S) | 75.0% 10.5% |
| China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") (Notes 1 and 2) | Security interest | 536,000,000(L) | 67.0% |
| China Huarong (Macau) International Company Limited ("China Huarong International") (Note 2) | Interest of a controlled corporation | 536,000,000(L) | 67.0% |
| Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") (Note 2) | Interest of a controlled corporation | 536,000,000(L) | 67.0% |
| Huarong Real Estate Co., Limited ("Huarong Real Estate") (Note 2) | Interest of a controlled corporation | 536,000,000(L) | 67.0% |
| China Huarong Asset Management Co., Limited ("China Huarong Asset") (Note 2) | Interest of a controlled corporation | 536,000,000(L) | 67.0% |
| Ministry of Finance of the People's Republic of China ("Ministry of Finance") (Note 2) | Interest of a controlled corporation | 536,000,000(L) | 67.0% |
| Freeman Union Limited ("Freeman Union") (Note 3) | Beneficial owner | 63,660,000(L) | 7.95% |
| Freeman United Investments Limited ("Freeman United Investments") (Note 3) | Interest of a controlled corporation | 63,660,000(L) | 7.95% |
| Ambition Union Limited ("Ambition Union") (Note 3) | Interest of a controlled corporation | 63,660,000(L) | 7.95% |
| Freeman Corporation Limited ("Freeman Corporation") (Note 3) | Interest of a controlled corporation | 63,660,000(L) | 7.95% |
| Freeman Financial Investment Corporation ("Freeman Financial Investment") (Note 3) | Interest of a controlled corporation | 63,660,000(L) | 7.95% |
| Freeman Fintech Corporation Limited ("Freeman Fintech Corporation") (Note 3) | Interest of a controlled corporation | 63,660,000(L) | 7.95% |

(L): Long position
(S): Short position

Notes:

- Steel Dust had executed a charge over its security account deposited with 536,000,000 shares in the share capital of the Company in favour of China Huarong Macau as security for a term loan facility granted to him. China Huarong Macau thus has security interest over these shares.
- 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 536,000,000 shares of the Company.

- 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.
- The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 adopted a share option scheme (the "Share Option Scheme") on 6 July 2015. No share option has been granted under the Share Option Scheme since its adoption.

Competing Interests

The Directors, the controlling shareholders of the Company and their respective close associates do not have any interest in a business apart from the business of the Group which competes 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.

Corporate Governance Code

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "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 Code during the Relevant Period.

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 Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Yang Zida. The other members are Mr. Lau Yik Lok and Ms. Li Huanli. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process and the internal control systems of the Group.

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

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

Hong Kong, 10 August 2018

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