



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

Third Quarterly Report 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2015 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 31 DECEMBER 2015

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	34,614	38,228	83,948	104,468
Cost of services		(29,810)	(25,668)	(74,185)	(74,816)
Gross profit		4,804	12,560	9,763	29,652
Other income/(loss)	4	137	(1)	138	5
Administrative expenses		(3,501)	(2,672)	(11,766)	(8,638)
Listing expense		-	4,407	(4,867)	(3,400)
Finance costs	5	(231)	(115)	(597)	(375)
Profit/(loss) before income tax expense	6	1,209	14,179	(7,329)	17,244
Income tax (expense)/credit	7	(87)	(1,659)	110	(3,484)
Profit/(loss) and total comprehensive income for the period attributable to the owners of the Company		1,122	12,520	(7,219)	13,760
Earnings/(loss) per share		HK cents	HK cents	HK cents	HK cents
- Basic and diluted	8	0.140	1.565	(0.902)	1.720



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2015**

	Attributable to the owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2015 (Audited)	22	–	–	43,531	43,553
Loss and total comprehensive income for the period	–	–	–	(7,219)	(7,219)
Issue of shares pursuant to the Reorganisation	358	–	(358)	–	–
Issue of shares upon placing	1,200	40,800	–	–	42,000
Issuing expense of placing	–	(4,716)	–	–	(4,716)
Issue of shares pursuant to Capitalisation Issue	6,420	(6,420)	–	–	–
Dividend paid (note 9)	–	–	–	(8,000)	(8,000)
As at 31 December 2015 (Unaudited)	8,000	29,664	(358)	28,312	65,618
As at 1 April 2014 (Audited)	20	–	–	32,657	32,677
Profit and total comprehensive income for the period	–	–	–	13,760	13,760
Issue of new shares on incorporation of new group companies	2	–	–	–	2
As at 31 December 2014 (Unaudited)	22	–	–	46,417	46,439



NOTES TO THE UNAUDITED FINANCIAL RESULTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 July 2014, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office and principal place of business of the Company are located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 2815-16, 28/F, New Tech Plaza, 34 Tai Yau Street, San Po Kong, Kowloon, 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 AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated financial information for the nine months ended 31 December 2015 has been prepared in accordance with the accounting policies, which conform 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 and the applicable disclosure provisions of the GEM Listing Rules.

Pursuant to a group reorganisation (the "Reorganisation") which was completed on 6 July 2015 as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company dated 28 July 2015 (the "Prospectus"), the Company became the holding company of the companies comprising the Group.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated financial information of the Group has been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the group structure under the Reorganisation had been in existence throughout the nine months ended 31 December 2015 and the nine months ended 31 December 2014.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those adopted in the accountant's report included in the Prospectus, except for the adoption of those new and revised HKFRSs that are newly effective for the nine months ended 31 December 2015.

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents amount received and receivable from contract works performed and recognised during the 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. OTHER INCOME/(LOSS)

	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Bank interest income	-	-	1	-
Rental income	132	-	132	-
Sundry income	5	(1)	5	5
	137	(1)	138	5

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	20	21	125	78
Interest on finance leases	211	94	472	297
	231	115	597	375

6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Profit/(loss) before income tax expense is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	8,157	8,724	24,594	26,034
Listing expenses	-	(4,407)*	4,867	3,400
Loss on disposal of property, plant & equipment	230	-	285	110
Depreciation	3,059	1,863	7,863	5,360
Operating lease rentals in respect of:				
- Land and building	561	389	1,362	1,180
- Plant and equipment	3,176	2,795	5,884	5,684

* This was a reversal adjustment of approximately HK\$4.4 million to the listing expenses of HK\$7.8 million booked for the six months ended 30 September 2014.



7. INCOME TAX (EXPENSE)/CREDIT

	Three months ended 31 December		Nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Overprovision in prior year	35	–	35	–
Current tax for the period:				
– Hong Kong profits tax	(10)	(1,350)	(10)	(3,170)
– Deferred tax	(112)	(309)	85	(314)
	(87)	(1,659)	110	(3,484)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong during the nine months ended 31 December 2015 and 31 December 2014, unless the Group did not generate from any assessable profits arising in Hong Kong during the periods.

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

8. EARNINGS/(LOSS) PER SHARE

The Company was listed on GEM on 10 August 2015 by way of placing of 200,000,000 placing shares comprising 120,000,000 new shares and 80,000,000 sale shares.

The calculation of the basic (loss)/earnings per share for the nine months ended 31 December 2015 and 2014 is based on the loss for the period attributable to the owners of the Company of approximately HK\$7,219,000 and the profit for the period attributable to the owners of the Company of HK\$13,760,000, respectively, and on the basis of 800,000,000 shares in issue and issued pursuant to the Capitalisation Issue as described in the Prospectus that are deemed to have become effective on 1 April 2014.

Diluted earnings per share are equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during periods.

9. DIVIDEND

During the nine months ended 31 December 2015 and before the Listing, a dividend of HK\$8,000,000 was distributed by Pak Wing Group Limited, a wholly owned subsidiary of the Company after the Reorganization as described in the Prospectus, to its then shareholders. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2015 (nine months ended 31 December 2014: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the foundation business in Hong Kong. During the Period, the Group achieved a key milestone in its history that the shares of the Company were successfully listed on GEM on 10 August 2015. The Listing has not only enhanced the Group's profile in the industry, but also provided the Group with a strengthened cash flow base with the listing proceeds raised. The Group has implemented part of and is committed to implementing its future plans i.e. acquiring machinery and strengthening its manpower as disclosed in the Prospectus.

In most recent times, it has been widely reported¹ that the funding approval process within the Government of Hong Kong has been severely delayed due to the filibustering at the Public Works Sub-committee of the Finance Committee of the Legislative Council of Hong Kong, which has resulted in fewer works in the pipeline for the construction industry as a whole. Furthermore, the economy of Hong Kong has been susceptible to the recent instability of the global economy which has cast uncertainty over the prospects of the local construction and property market. The increasing labour costs have also posed plenty of challenges to the Group. Undoubtedly, all such factors have adversely affected the industry and the business environment in which the Group operates.

Notwithstanding such unforeseeably difficult business environment in which the Group has operated and the declined gross profit for the nine months ended 31 December 2015 on a period-on-period basis, the Group has turned around to record a gross profit of approximately HK\$4.8 million for the third quarter of the financial year ending 31 March 2016 ("Q3-2015") as opposed to a gross loss of approximately HK\$3.0 million for the second quarter of the financial year ending 31 March 2016 ("Q2-2015"). Likewise, the Group recorded a net profit of approximately HK\$1.1 million for Q3-2015 as opposed to a net loss of HK\$5.9 million for Q2-2015.

As disclosed in the Prospectus, the Group is characterised by and susceptible to its non-stable gross profit margins of approximately 34.6%, 42.4% and 26.7% for the three years ended 31 March 2013, 2014 and 2015 respectively, which were primarily due to the Group operating on a project-by-project basis and pricing and profit margin of each foundation project varying from project to project depending on, *inter alia*, the complexity in terms of technicality involved, customers' acceptability of the Group's expected profitability and competitiveness of pricing offered by the Group's rivals.

To ensure the success of the Group, the Board will closely monitor the performance of the Group which will adopt appropriate strategies to adapt to the challenging business environment. To maintain the Group's market position, it will continue to provide quality works to its customers.

FINANCIAL REVIEW

Turnover

The Group's revenue for the nine months ended 31 December 2015 was approximately HK\$83.9 million, representing a decrease of approximately HK\$20.5 million or 19.6% as compared to the revenue for the nine months ended 31 December 2014. The declined revenue was as a result of the difficult business environment in which the Group has operated as elaborated above and some unforeseeable factors such as delayed completion of certain foundation projects and variation of certain project contracts during the last few months.

Gross Profit and Gross Profit Margin

For the nine months ended 31 December 2015, the Group recorded a gross profit of approximately HK\$9.8 million (nine months ended 31 December 2014: HK\$29.7 million).

Notwithstanding the declined gross profit for the nine months ended 31 December 2015 on a period-on-period basis, the Group recorded a gross profit of approximately HK\$4.8 million for Q3-2015 as opposed to a gross loss of approximately HK\$3.0 million for Q2-2015. Due to the relatively strong gross profit margin of approximately 22.4% recorded for the month of December 2015, the gross profit margin for Q3-2015 has caught up to approximately 13.9% from 10.1% for the six months ended 30 September 2015 and 11.6% for the nine months ended 31 December 2015.

¹ http://www.hkca.com.hk/uploads/vpr_doc/7b9113872c7cf44edb8a1b99dad16fba.pdf



Other Income/(Loss)

The Group's other income amounted to approximately HK\$138,000 and HK\$5,000 for the nine months ended 31 December 2015 and 2014 respectively, representing an increase mainly due to the rental income received from the sub-leasing of a portion of the Group's open site in Yuen Long to an independent third party during Q3-2015.

Administrative Expenses

The administrative expenses increased by approximately HK\$3.1 million or 36.2%, from HK\$8.6 million for the nine months ended 31 December 2014 to HK\$11.8 million for the nine months ended 31 December 2015. Directors' emoluments increased from approximately HK\$3.9 million for the nine months ended 31 December 2014 to approximately HK\$4.5 million for the nine months ended 31 December 2015. The increment was due to emoluments to executive Directors which commenced from 2015.

Finance Costs

The Group's finance costs increased by approximately HK\$0.2 million or 59.2% from HK\$0.4 million for the nine months ended 31 December 2014 to HK\$0.6 million for the nine months ended 31 December 2015. The increase in finance costs was mainly due to additional finance leases taken out during the Period.

Profit/(Loss) Attributable to Owners of the Company

Net loss for the nine months ended 31 December 2015 was approximately HK\$7.2 million (nine months ended 31 December 2014: net profit HK\$13.8 million). Due to the relatively strong performance of the Group in particular in the month of December 2015 as mentioned above, the Group has turned around to record a net profit of approximately HK\$1.1 million for Q3-2015 as opposed to a net loss of HK\$8.9 million for Q2-2015.



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 31 December 2015, 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")) 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:

Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 3)
Mr. Wong Chin To (Note 1)	Interest of a controlled corporation	300,000,000	37.5%
Mr. Tse Chun Kit (Note 2)	Interest of a controlled corporation	300,000,000	37.5%

Notes:

- Mr. Wong Chin To ("Mr. Wong") beneficially owns the entire issued share capital of Get Real Holdings Limited ("Get Real"). Therefore, Mr. Wong is deemed, or taken to be, interested in all the shares held by Get Real for the purpose of the SFO.
- Mr. Tse Chun Kit ("Mr. Tse") beneficially owns the entire issued share capital of Dor Holdings Limited ("Dor Holdings"). Therefore, Mr. Tse is deemed, or taken to be, interested in all the shares held by Dor Holdings for the purpose of the SFO.
- The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 December 2015, 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 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.

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

As at 31 December 2015, 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 shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of Issued shares (Note 3)
Get Real Holdings Limited	Beneficial owner	300,000,000	37.5%
Ms. Wong Ching Nam (Note 1)	Interest of spouse	300,000,000	37.5%
Dor Holdings Limited	Beneficial owner	300,000,000	37.5%
Ms. Cheung Ho Yee (Note 2)	Interest of spouse	300,000,000	37.5%



Notes:

1. Ms. Wong Ching Nam ("Ms. Wong") is the spouse of Mr. Wong. Under the SFO, Ms. Wong is deemed to be interested in the same number of shares in which Mr. Wong is interested.
2. Ms. Cheung Ho Yee ("Ms. Cheung") is the spouse of Mr. Tse. Under the SFO, Ms. Cheung is deemed to be interested in the same number of shares in which Mr. Tse is interested.
3. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 31 December 2015, 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 and their respective close associates do not have any interest in a business apart from the business of the Group which competes and is likely to compete, directly or indirectly, with the business of the Group.

Compliance Adviser's Interests

As at 31 December 2015, neither Shenwan Hongyuan Capital (H.K.) Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

Directors' Securities Transactions

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirm that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company since the date of Listing i.e. 10 August 2015.



Purchase, Sale or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities since the date of Listing i.e. 10 August 2015.

Compliance with the Corporate Governance Code

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in Appendix 15 to the GEM Listing Rules (the "CG Code") and in relation to, among others, our Directors, Chairman and Chief Executive Officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the shareholders of the Company.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code since the date of Listing i.e. 10 August 2015.

Audit Committee

The audit committee of the Company (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. Wong Chi Shing. The other members are Mr. Kuo Tung Ming and Ms. Si Tou Man Wai. 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 has reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2015 with the management and is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 3 February 2016

As at the date of this report, the executive Directors are Mr. Wong Chin To, Mr. Tse Chun Kit, and Ms. Chan Siu Ying; and the independent non-executive Directors are Mr. Wong Chi Shing, Mr. Kuo Tung Ming and Ms. Si Tou Man Wai.