



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 2016



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 Group for the three months ended 30 June 2016 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	Notes	For the three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	42,188	29,090
Cost of services		(37,335)	(21,112)
Gross profit		4,853	7,978
Other income		344	–
Administrative expenses		(3,027)	(6,504)
Finance costs	4	(197)	(162)
Profit before income tax expense	5	1,973	1,312
Income tax expense	6	(426)	(737)
Profit and total comprehensive income for the period attributable to the owners of the Company		1,547	575
Earnings per share		HK cents	HK cents
– Basic and diluted	7	0.193	0.072

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 30 June 2016*

	Share capital HK\$'000	Attributable to the owners of the Company			Total HK\$'000
		Share premium HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	
As at 1 April 2016 (Audited)	8,000	82,525	(51,705)	13,300	52,120
Profit and total comprehensive income for the Period	-	-	-	1,547	1,547
As at 30 June 2016 (Unaudited)	8,000	82,525	(51,705)	14,847	53,667
As at 1 April 2015 (Audited)	22	-	-	43,531	43,553
Profit and total comprehensive income for the period	-	-	-	575	575
As at 30 June 2015 (Unaudited)	22	-	-	44,106	44,128

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 Group is principally engaged in the foundation business as a foundation subcontractor in Hong Kong.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial information for the Period 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.

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 preparation of the unaudited condensed consolidated financial results 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.

The unaudited condensed consolidated financial results for the 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 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. FINANCE COSTS

	For the three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank borrowings	22	65
Interest on finance leases	175	97
	197	162

5. PROFIT BEFORE INCOME TAX EXPENSE

	For the three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit before income tax expense has been arrived at after charging:		
Directors' remuneration	1,636	1,620
Salaries, wages and other benefits	5,978	7,085
	7,614	8,705
Auditors' remuneration	-	150
Listing expenses	-	3,013
Depreciation	3,270	2,071
Operating lease rentals in respect of:		
– Land and building	400	398
– Plant and equipment	4,728	227

6. INCOME TAX EXPENSE

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

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period:		
Hong Kong profits tax	–	881
Deferred tax	426	(144)
	426	737

7. EARNINGS PER SHARE

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

	For the three months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	1,547	575
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	800,000	800,000

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2016 and 2015.

8. DIVIDENDS

The Directors do not recommend a payment of an interim dividend for the Period (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a foundation subcontractor in Hong Kong. Its projects involves lateral support works, mini piling, H-piling and other works.

During the Period, the Group recorded an increase in turnover of approximately HK\$13.1 million or 45.0%. However, its gross profit margin was approximately 11.5% as compared to 27.4% for the same period in 2015. The Group is characterized by and susceptible to its non-stable gross profit margin, which is 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.

Since last year, the Group has been suffering from the severe delay in the funding approval process of public works caused by the filibustering at the Public Works Sub-committee of the finance Committee of the Legislative Council and the increased pricing competition from other contractors. The Group expects that all these challenges will still continue in the coming months.

Nonetheless, the Directors consider that with the Group's experienced management team and reputation in the market, the Group is well-positioned to compete with its competitors against such future challenges that are commonly faced by all industry players. The Group will continue to pursue appropriate business strategies to ensure that it is able to survive in this difficult business environment.

FINANCIAL REVIEW

Turnover

The Group's revenue for the Period was approximately HK\$42.2 million, representing an increase of approximately HK\$13.1 million or 45.0% as compared to the revenue for the three months ended 30 June 2015. The increase was mainly due to contribution from 2 major projects which contributed approximately HK\$17.2 million.

Gross Profit and Gross Profit Margin

For the Period, the Group recorded a gross profit of approximately HK\$4.9 million (2015: HK\$8.0 million) and the gross profit margin was approximately 11.5% (2015: 27.4%). The declined gross profit margin was as a result of, an increase in machinery rental expenses incurred in order to meet additional requirements of certain foundation projects and also an increase in sub-contracting charges being greater than the increase in revenue for the Period.

Administrative Expenses

The administrative expenses decreased by approximately HK\$3.5 million or 53.5%, from HK\$6.5 million for the three months ended 30 June 2015 to HK\$3.0 million for the Period. The decrease was mainly due to legal and professional expenses incurred from the preparation for the Company's listing on GEM in 2015.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income increased by approximately HK\$1.0 million or 169.0% from approximately HK\$575,000 for the three months ended 30 June 2015 to approximately HK\$1,547,000 for the Period. The increase was mainly due to decrease in income tax expenses because of the availability of tax losses brought forward for set-off against taxable profits generated during the Period and decrease in administrative expenses.

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 2016, 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:

1. 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.
2. 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.
3. The percentage if calculated on the basis of 800,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at 30 June 2016, 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 30 June 2016, 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 Directors	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 30 June 2016, 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 30 June 2016, 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 5.48 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 Period.

Purchase, Sale or Redemption of the Company's Securities

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

Corporate Governance Code

During the Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the "CG Code").

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

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

Hong Kong, 11 August 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.