



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 2016



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

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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 nine months ended 31 December 2016 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 31 DECEMBER 2016

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	52,676	34,614	122,423	83,948
Cost of services		(51,746)	(29,810)	(119,985)	(74,185)
Gross profit		930	4,804	2,438	9,763
Other income		494	137	1,020	138
Reversal of impairment loss on retention receivables		306	–	1,076	–
Administrative expenses		(3,538)	(3,501)	(10,573)	(16,633)
Finance costs	4	(229)	(231)	(683)	(597)
(Loss)/profit before income tax	5	(2,037)	1,209	(6,722)	(7,329)
Income tax credit/(expense)	6	389	(87)	824	110
(Loss)/profit and total comprehensive income for the period attributable to the owners of the Company		(1,648)	1,122	(5,898)	(7,219)
		HK cents	HK cents	HK cents	HK cents
(Loss)/earnings per share – Basic and diluted	7	(0.206)	0.140	(0.737)	(0.902)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 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
Loss and total comprehensive income for the period	-	-	-	(5,898)	(5,898)
As at 31 December 2016 (Unaudited)	8,000	82,525	(51,705)	7,402	46,222
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 Group 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 8)	-	-	-	(8,000)	(8,000)
As at 31 December 2015 (Unaudited)	8,000	29,664	(358)	28,312	65,618

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 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 "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 Relevant 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 (Chapter 622 of the Laws of Hong Kong) and the applicable disclosure provisions of the GEM Listing Rules.

Pursuant to a group reorganisation (the "Group 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 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 information of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial information for the Relevant Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

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 Relevant 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 31 December		Nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank borrowings	8	20	44	125
Interest on finance leases	146	211	488	472
Interest on loan from directors	75	–	151	–
	229	231	683	597

5. (LOSS)/PROFIT BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss)/profit before income tax is arrived at after charging (crediting):				
Employee benefit expense (including Directors' remuneration)	6,919	8,157	22,186	24,594
Listing expenses	–	–	–	4,867
Loss on disposal of property, plant & equipment	–	230	–	285
Depreciation	3,280	3,059	9,842	7,863
Operating lease rentals in respect of:				
– Land and building	591	561	1,457	1,362
– Plant and equipment	1,767	3,176	8,831	5,884
Reversal of impairment loss on retention receivables	(306)	–	(1,076)	–

6. INCOME TAX CREDIT/(EXPENSE)

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Overprovision in prior year	-	35	-	35
Current tax for the period:				
- Hong Kong profits tax	-	(10)	-	(10)
- Deferred tax	389	(112)	824	85
	389	(87)	824	110

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 2016 and 2015, 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.

7. (LOSS)/EARNINGS 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:

	For the nine months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company	(5,898)	(7,219)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share were the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 31 December 2016 and 2015.

8. DIVIDEND

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

During the nine months ended 31 December 2015, a dividend of HK\$8,000,000 was distributed by Pak Wing Group Limited, a wholly owned subsidiary of the Company to its then shareholders prior to the completion of the Group Reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is a foundation subcontractor in Hong Kong. Projects carried out by the Group involve lateral support works, mini piling, H-piling and other works.

During the Relevant Period, the Group recorded an increase in revenue of approximately HK\$38.5 million or 45.8%. However, its gross profit margin was approximately 2.0% as compared to 11.6% 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 the 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.

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 continue in the coming months.

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the Relevant Period was approximately HK\$122.4 million, representing an increase of approximately HK\$38.5 million or 45.8% as compared to the revenue for the nine months ended 31 December 2015. The increase was mainly due to the contribution from three major projects which contributed approximately HK\$61.3 million.

Gross Profit and Gross Profit Margin

For the Relevant Period, the Group recorded a gross profit of approximately HK\$2.4 million (nine months ended 31 December 2015: HK\$9.8 million) and the gross profit margin was approximately 2.0% (nine months ended 31 December 2015: 11.6%). The declined gross profit margin was a result of an increase in sub-contracting charges and machinery rental expenses incurred in order to meet additional requirements of certain foundation projects, and the increasing competition from other contractors seeking to tender projects at low price.

Administrative Expenses

The administrative expenses decreased by approximately HK\$6.0 million or 36.4%, from HK\$16.6 million for the nine months ended 31 December 2015 to HK\$10.6 million for the Relevant Period. The decrease was mainly due to legal and professional expenses incurred for the nine months ended 31 December 2015 for the preparation for the Listing.

Finance Costs

The Group's finance costs increased by approximately HK\$0.1 million or 14.4% from HK\$0.6 million for the nine months ended 31 December 2015 to HK\$0.7 million for the Relevant Period. The increase in finance costs was mainly due to an increase in interest on loan from directors.

(Loss)/Profit and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$5.9 million (nine months ended 31 December 2015: HK\$7.2 million). The decrease was mainly due to a decrease in administration expenses and reversal of impairment loss on retention receivables amounting to HK\$1.1 million.

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 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 its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules (the "Required Standard of Dealings") or Rule 23.07 of the GEM Listing Rules were as follows:

Long position in the 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 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 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 31 December 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:

Long positions in the ordinary shares of the Company

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 5)
Get Real Holdings Limited (Note 1)	Beneficial owner	300,000,000	37.5%
Ms. Wong Ching Nam (Note 2)	Interest of spouse	300,000,000	37.5%
Dor Holdings Limited (Note 1)	Beneficial owner	300,000,000	37.5%
Ms. Cheung Ho Yee (Note 2)	Interest of spouse	300,000,000	37.5%
Imperium Credit Limited (Note 3)	Security interest	600,000,000	75.0%
Prestige Sure Limited (Note 3)	Interest of a controlled corporation	600,000,000	75.0%
Imperium Financial Group Limited (Note 3)	Interest of a controlled corporation	600,000,000	75.0%
Imperium Group (Holdings) Limited (Note 3)	Interest of a controlled corporation	600,000,000	75.0%
Mr. Cheng Ting Kong (Note 3)	Interest of a controlled corporation	600,000,000	75.0%
Ms. Yeung So Mui (Note 4)	Interest of spouse	600,000,000	75.0%

Notes:

- Dor Holdings and Get Real had executed a charge over their respective securities account each deposited with 300,000,000 shares in the share capital of the Company in favour of Imperium Credit Limited ("Imperium Credit") as security for a term loan facility granted to each of them. Imperium Credit thus has security interest over these shares.
- 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.

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.
- Imperium Credit is wholly-owned by Prestige Sure Limited ("Prestige Sure"), which in turn is wholly-owned by Imperium Financial Group Limited ("Imperium Financial"), which in turn is wholly-owned by Imperium Group (Holdings) Limited ("Imperium Group"), which in turn is wholly-owned by Mr. Cheng Ting Kong ("Mr. Cheng"). Thus Imperium Financial, Prestige Sure, Imperium Group and Mr. Cheng are deemed to be interested in the shares of the Company in which Imperium Credit has security interest.
- Ms. Yeung So Mui is the spouse of Mr. Cheng. Under the SFO, Ms. Yeung is deemed to be interested in the same number of shares in which Mr. Cheng is interested.
- 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 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 31 December 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, each of the Directors confirmed that he had 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 has purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance code are based on the principles of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. During the Relevant Period, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in the 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. Lau Yik Lok and Mr. Yan Chun Fu. 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 2016 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, 10 February 2017

As at the date of this report, the executive Directors are Mr. Wong Chin To, Mr. Tse Chun Kit, Mr. Lui Man Wah and Mr. Ee Kok Wai Thomas; and the independent non-executive Directors are Mr. Wong Chi Shing, Mr. Lau Yik Lok and Mr. Yan Chun Fu.