



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

2017



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") would like to present the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	Notes	For the three months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	24,454	42,188
Cost of services		(26,049)	(37,335)
Gross (loss)/profit		(1,595)	4,853
Other income		174	344
Administrative expenses		(4,177)	(3,027)
Finance costs	4	(249)	(197)
(Loss)/profit before income tax expense	5	(5,847)	1,973
Income tax expense	6	(240)	(426)
(Loss)/profit and total comprehensive income for the period attributable to the owners of the Company		(6,087)	1,547
		HK cents	HK cents
(Loss)/earnings per share – Basic and diluted	7	(0.761)	0.193

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 30 June 2017*

	Attributable to the owners of the Company					Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses/ Retained earnings HK\$'000	Capital reserve HK\$'000	
As at 1 April 2017 (Audited)	8,000	82,525	(51,705)	(15,628)	982	24,174
Loss and total comprehensive income for the Relevant Period	-	-	-	(6,087)	-	(6,087)
As at 30 June 2017 (Unaudited)	8,000	82,525	(51,705)	(21,715)	982	18,087
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

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 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 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 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 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 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	-	22
Interest on finance leases	174	175
Interest on loans from directors	75	-
	249	197

5. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	For the three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax expense has been arrived at after charging:		
Directors' remuneration	1,147	1,636
Salaries, wages and other benefits	4,535	5,978
	5,682	7,614
Depreciation	3,359	3,270
Operating lease rentals in respect of:		
– Land and building	742	400
– Plant and equipment	967	4,728

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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax for the period:		
– Hong Kong profits tax	–	–
– Deferred tax	240	426
	240	426

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	(6,087)	1,547
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	800,000	800,000

Diluted (loss)/earnings per share were the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2017 and 2016.

8. DIVIDENDS

The Directors do not recommend a payment of an interim dividend for the Relevant Period (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged as a foundation subcontractor in Hong Kong. Its customers principally comprise main contractors and subcontractors. In calculating the contract sum, the Group is normally required to follow the pre-determined schedule of rates according to the specifications of types of works to be done, the necessary construction materials and labour to be used.

During the Relevant Period, the Group derived its revenue of approximately HK\$24.5 million (2016: HK\$42.2 million) from 6 projects (2016: 10 projects) and recorded a decrease in revenue of approximately HK\$17.7 million or 42.0% when compared with the same period in 2016. The fewer projects was mainly due to the reasons that most of the foundation projects were completed during the year ended 31 March 2017 and the lengthening of the funding approval process in the Legislative Council for the planned public works as a result of the persistent filibustering in 2015 deteriorates the construction industry in Hong Kong, which increased the competition from other contractors seeking to tender projects at low price, and in turn affected the Group's profit margin. The deterioration in economic environment and the increasing labour costs have also posed plenty of challenges to the Group and are expected to continue in the coming year.

In view of the significant decrease in the gross profit margin of the Group for the Relevant Period, 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\$24.5 million, representing a decrease of approximately HK\$17.7 million or 42.0% as compared to the revenue for the three months ended 30 June 2016. The decrease was mainly due to the reason that most of the foundation projects were completed during the year ended 31 March 2017 and the persistent filibustering as aforementioned.

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

For the Relevant Period, the Group recorded a gross loss of approximately HK\$1.6 million (2016: gross profit approximately HK\$4.9 million) and the gross loss margin was approximately 6.5% (2016: gross profit margin 11.5%). The declined gross profit margin mainly due to the increasing competition from other contractors seeking to tender projects at low price.

Administrative Expenses

The administrative expenses increased by approximately HK\$1.2 million or 38.0%, from HK\$3.0 million for the three months ended 30 June 2016 to HK\$4.2 million for the Relevant Period. The increase was mainly due to legal and professional expenses incurred in relation to the transfer of the Company's shares.

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

Loss and total comprehensive income for the Relevant Period was approximately HK\$6.1 million (2016: profit approximately HK\$1.5 million). The decrease was mainly due to the decrease in revenue and 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 2017, 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:

Long 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	75.0%

Notes:

1. 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 be, interested in all the shares of the Company held by Steel Dust for the purpose of the SFO.
2. The percentage is calculated on the basis of 800,000,000 shares in issue as at the date of this report.

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 2017, 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 2017, 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 position in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interests	Number of shares held	Percentage of issued shares (Note 1)
Steel Dust Limited	Beneficial owner	600,000,000	75.0%

Notes:

1. 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 2017, 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.

Compliance Adviser's Interests

As at 30 June 2017, 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 Relevant Period.

Purchase, Sale of 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. As at the date of this report, to the best knowledge of the Board, the Company had complied with the code provisions in the Code, except the following:

- (i) Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Mr. Zhang is the chairman of the Board and is responsible for major decision making, implementation of business strategies and overseeing the overall operation of the Group. Since 19 May 2017, the Company has not had the position of CEO and therefore the daily operations and management of the Group are monitored by the executive Directors. The Board is of the view that, notwithstanding without the presence of CEO, the balance of power and authority is ensured by the operations of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operations of the Group.
- (ii) Mr. Yan Chun Fu ("Mr. Yan") has resigned as an independent non-executive Director and as a member of each of the Audit Committee remuneration committee and nomination committee of the Company with effect from 19 May 2017. Following the resignation of Mr. Yan as an independent non-executive Director on 19 May 2017, the Board has only two independent non-executive Directors, the number of which falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company has also failed to comply with the minimum number of committee members requirements regarding its audit committee under Rule 5.28 of the GEM Listing Rules.

The Board will make every effort to ensure that action is taken as soon as possible and in any event within three months to comply with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Further announcement will be made by the Company upon fulfilling such requirements.

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 two independent non-executive Directors and is chaired by Mr. Wong Chi Shing. The another member is Mr. Lau Yik Lok. 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 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, 14 August 2017

As at the date of this report, the executive Directors are Mr. Zhang Weijie (Chairman) and Mr. Wong Chin To; and the independent non-executive Directors are Mr. Wong Chi Shing and Mr. Lau Yik Lok.