



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 2017





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## **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 nine months ended 31 December 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 and nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	<b>41,178</b>	52,676	<b>100,862</b>	122,423
Cost of services		<b>(38,687)</b>	(51,746)	<b>(101,320)</b>	(119,985)
Gross profit/(loss)		<b>2,491</b>	930	<b>(458)</b>	2,438
Other income		<b>814</b>	494	<b>3,966</b>	1,020
Reversal of impairment loss on retention receivables		-	306	-	1,076
Administrative expenses		<b>(3,705)</b>	(3,538)	<b>(11,620)</b>	(10,573)
Finance costs	4	<b>(304)</b>	(229)	<b>(869)</b>	(683)
Loss before income tax	5	<b>(704)</b>	(2,037)	<b>(8,981)</b>	(6,722)
Income tax	6	<b>197</b>	389	<b>662</b>	824
Loss and total comprehensive income for the period attributable to the owners of the Company		<b>(507)</b>	(1,648)	<b>(8,319)</b>	(5,898)
Loss per share		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
- Basic and diluted	7	<b>(0.063)</b>	(0.206)	<b>(1.040)</b>	(0.737)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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 period	-	-	-	(8,319)	-	(8,319)
As at 31 December 2017 (Unaudited)	8,000	82,525	(51,705)	(23,947)	982	15,855
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



## 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 provision of foundation works 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.

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 "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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	-	8	-	44
Interest on finance leases	122	146	448	488
Interest on loans from directors	100	75	220	151
Interest on unsecured borrowings	82	-	201	-
	<b>304</b>	229	<b>869</b>	683

#### 5. LOSS BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	6,509	6,919	17,250	22,186
Loss on disposal of property, plant & equipment	-	-	9	-
Depreciation	3,106	3,280	9,661	9,842
Operating lease rentals in respect of:				
- Land and building	706	591	2,255	1,457
- Plant and equipment	905	1,767	2,298	8,831
Reversal of impairment loss on retention receivables	-	(306)	-	(1,076)



## 6. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax for the period:				
- Hong Kong profits tax	-	-	-	-
- Deferred tax	197	389	662	824
	<b>197</b>	<b>389</b>	<b>662</b>	<b>824</b>

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.

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 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss attributable to owners of the Company	<b>(8,319)</b>	(5,898)
<b>Number of shares</b>	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>800,000</b>	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 2017 and 2016.

## 8. DIVIDEND

The Board does not recommend the payment of any 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 acts a main contractor of Christian Alliance International School project.

During the Relevant Period, the Group recorded a decrease in turnover of approximately HK\$21.6 million or 17.6%. Its gross loss margin was approximately 0.5% as compared to gross profit margin 2.0% for the same period in 2016. In the 2017-2018 Budget Speech, Government announced that it will spend HK\$89.1 billion on the public infrastructure. However, the lengthening of the funding approval process in the Legislative Council for the planned public works as a result of the persistent filibustering since 2015 and shortage of manpower deteriorate the construction industry in Hong Kong and increase the competition from other contractors seeking to tender projects at low price, which in turn affects 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 a 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\$100.9 million, representing a decrease of approximately HK\$21.6 million or 17.6% as compared to the revenue for the nine months ended 31 December 2016. The decrease was mainly due to the persistent filibustering and low bidding price on the tenders from other competitors as aforementioned.

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

For the Relevant Period, the Group recorded a gross loss of approximately HK\$0.5 million (2016: gross profit approximately HK\$2.4 million) and the gross loss margin was approximately 0.5% (2016: gross profit margin approximately 2.0%). The declined gross profit margin mainly due to the increasing competition from other contractors seeking to tender projects at low price.

### Other Income

The Group's other income increased by approximately HK\$2.9 million or 288.8% from HK\$1.0 million for the nine months ended 31 December 2016 to HK\$4.0 million for the Relevant Period. The increase was mainly due to the increase of rental income from lease of machinery to independent third parties.

### Administrative Expenses

The administrative expenses increased by approximately HK\$1.0 million or 9.9% from HK\$10.6 million for the nine months ended 31 December 2016 to HK\$11.6 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.





## Finance Costs

The Group's finance costs increased by approximately HK\$0.2 million or 27.2% from HK\$0.7 million for the nine months ended 31 December 2016 to HK\$0.9 million for the Relevant Period. The increase in finance costs was mainly due to an increase in interest on loan from directors and other borrowings.

## Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$8.3 million (2016: approximately HK\$5.9 million). The decrease was mainly due to decrease in revenue and gross loss incurred 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 31 December 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 (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 are as follows:

### Long positions in ordinary shares of the Company

Name of Director	Capacity/Nature of interests capital	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 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 positions in ordinary shares of associate corporation(s) of the Company

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

Save as disclosed above, as at 31 December 2017, none of the Directors or the Chief Executive or their respective associates had any interests or short position 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 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 31 December 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 are 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 3)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000	75.0%
China Huarong Macau (HK) Investment Holdings Limited (Note 2)	Security interest	536,000,000	67.0%
China Huarong (Macau) International Company Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Huarong (HK) Industrial Financial Investment Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Huarong Real Estate Co., Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
China Huarong Asset Management Co., Limited (Note 2)	Interest of a controlled corporation	536,000,000	67.0%
Ministry of Finance of the People's Republic of China (Note 2)	Interest of a controlled corporation	536,000,000	67.0%

#### Notes:

1. Steel Dust had executed a charge over his security account deposited with 536,000,000 shares in the share capital of the Company in favour of China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") as security for a term loan facility granted to him. China Huarong Macau thus has security interest over these shares.
2. China Huarong Macau is wholly-owned by China Huarong (Macau) International Company Limited ("China Huarong International"), which in turn is owned as to 51.0% by Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial"), which in turn is wholly-owned by Huarong Real Estate Co., Limited ("Huarong Real Estate"), which in turn is wholly-owned by China Huarong Asset Management Co., Ltd ("China Huarong Asset"), which in turn is owned as to 65.0% by Ministry of Finance of the People's Republic of China ("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 shares of the Company in which China Huarong Macau has security interest.
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 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 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 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, 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 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. 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 supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the Relevant Period 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**  
**Zhang Weijie**  
Chairman

Hong Kong, 8 February 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 Ms. Li Huanli, Mr. Yang Zida and Mr. Lau Yik Lok.*