



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

2018

Third Quarterly
Report



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

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Given that the companies listed on GEM are generally small and mid-sized companies, 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 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 2018 (the "Relevant Period"), together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	34,795	41,178	71,439	100,862
Cost of services		(37,838)	(38,687)	(75,353)	(101,320)
Gross (loss)/profit		(3,043)	2,491	(3,914)	(458)
Other income	4	1,034	814	6,665	3,966
Reversal of impairment loss on retention receivables		170	-	170	-
Administrative expenses		(3,716)	(3,705)	(11,495)	(11,620)
Finance costs	5	(146)	(304)	(757)	(869)
Loss before income tax	6	(5,701)	(704)	(9,331)	(8,981)
Income tax	7	356	197	704	662
Loss and total comprehensive income for the period attributable to the owners of the Company		(5,345)	(507)	(8,627)	(8,319)
Loss per share		HK cents	HK cents	HK cents	HK cents
- Basic and diluted	8	(0.668)	(0.063)	(1.078)	(1.040)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to the owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	
As at 1 April 2018 (Audited)	8,000	82,525	(51,705)	(40,544)	3,118	1,394
Loss and total comprehensive income for the period	-	-	-	(8,627)	-	(8,627)
As at 31 December 2018 (Unaudited)	8,000	82,525	(51,705)	(49,171)	3,118	(7,233)
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

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 the principal place of business was changed from 25/F, Progress Commercial Building, 9 Irving Street, Causeway Bay, Hong Kong to 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, Hong Kong on 26 October 2018. 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 statements 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 preparation of the unaudited condensed consolidated financial statements 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.

(a) The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to the following two HKFRSs: – HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – HKAS 28 Investments in Associates and Joint Ventures

The adoption of the above HKFRSs did not have any significant financial impact on the unaudited condensed consolidated financial statements.

(b) The following new standards and revisions to standards have been issued, but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Annual Improvements to 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 And HKAS 23 ¹

¹ Effect for annual periods beginning on or after 1 January 2019

² No mandatory effective date yet determined but available for adoption

³ Effective for annual periods beginning on or after 1 January 2021

The Group will apply the above HKFRSs when they become effective. The Group is in the process of assessing the impact of the above HKFRSs.

The unaudited condensed consolidated financial statements 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 statements have been prepared on the historical cost basis and 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. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	–	–	5,419	125
Income from trading machinery	442	–	442	1,285
Rental income from leasing machinery	584	810	739	2,470
Others	8	4	65	86
	1,034	814	6,665	3,966

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on finance leases	11	122	82	448
Interest on loans from directors	72	100	361	220
Interest on unsecured borrowings	63	82	314	201
	146	304	757	869

6. LOSS BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	9,388	6,509	22,933	17,250
(Gain)/Loss on disposal of property, plant & equipment, net	337	–	(5,082)	9
Depreciation	1,915	3,106	6,634	9,661
Operating lease rentals in respect of:				
– Land and building	505	706	1,816	2,255
– Plant and equipment	1,544	905	3,294	2,298
Reversal of impairment loss on retention receivables	(170)	–	(170)	–

7. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax for the period:				
– Hong Kong profits tax	–	–	–	–
– Deferred tax	356	197	704	662
	356	197	704	662

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.

8. 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:

	Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(8,627)	(8,319)
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 2018 and 2017.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the foundation works 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 recorded a decrease in turnover of approximately HK\$29.4 million or 29.2%. Its gross loss margin was approximately 5.5% as compared to gross loss margin 0.5% for the same period in 2017. In the 2017–2018 Budget Speech, Government announced that it will spend HK\$89.1 billion on the public infrastructure. However, the competition remains very keen in the future due to the growing number of market players. In addition, the construction costs continue to rise due to labour shortages, increasingly stringent regulatory controls and rising construction material and operating costs. Although the market conditions are less favorable to construction industry, the Directors are of the view that the market of public sector construction sites will start to improve and 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\$71.4 million, representing a decrease of approximately HK\$29.4 million or 29.2% as compared to the revenue for the nine months ended 31 December 2017. The decrease was mainly due to two large foundation projects completed, which contributed approximately HK\$17.1 million for the Relevant Period as compared to HK\$68.1 million for the nine months ended 31 December 2017.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$3.9 million (2017: gross loss approximately HK\$0.5 million) and the gross loss margin was approximately 5.5% (2017: gross loss margin approximately 0.5%). The increase in overall gross loss margin was mainly due to an increase in labour costs and competition from other contractors seeking to tender projects at low price.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.1 million or 1.1% from HK\$11.6 million for the nine months ended 31 December 2017 to HK\$11.5 million for the Relevant Period. The decrease was mainly due to legal and professional expenses incurred for the nine months ended 31 December 2017 in relation to the transfer of the Company's shares.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$8.6 million (2017: approximately HK\$8.3 million). The increase in loss was mainly due to decrease in revenue and increase in gross loss 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 2018, 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:

Interest and short position 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(L) 83,977,158(S)	75.0% 10.5%

(L) Long position

(S) Short Position

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 have an interest or short position 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 31 December 2018.

Long positions in ordinary shares of associated 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 2018, 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 2018, 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:

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 4)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000(L) 83,977,158(S)	75.0% 10.5%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") (Note 1 & 2)	Security interest	600,000,000(L)	75.0%
China Huarong (Macau) International Company Limited ("China Huarong International") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong Real Estate Co., Limited ("Huarong Real Estate") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%

Name of shareholders	Capacity/Nature of interests of capital	Number of shares held	Percentage of issued shares (Note 4)
Ministry of Finance of the People's Republic of China (" Ministry of Finance ") (Note 2)	Interest of a controlled corporation	600,000,000(L)	75.0%
Freeman Union Limited (" Freeman Union ") (Note 3)	Beneficial owner	63,660,000(L)	7.95%
Freeman United Investments Limited (" Freeman United Investments ") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Ambition Union Limited (" Ambition Union ") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Corporation Limited (" Freeman Corporation ") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Financial Investment Corporation (" Freeman Financial Investment ") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%
Freeman Fintech Corporation Limited (" Freeman Fintech Corporation ") (Note 3)	Interest of a controlled corporation	63,660,000(L)	7.95%

(L): Long position

(S): Short position

Notes:

- Steel Dust had executed a charge over its security account deposited with 600,000,000 shares in the share capital of the Company in favour of China Huarong Macau as security for a term loan facility granted to him. China Huarong Macau thus has security interest over these shares.
- China Huarong Macau is wholly owned by China Huarong International. China Huarong International is owned as to 51% by Huarong (HK) Industrial. Huarong (HK) Industrial is wholly owned by Huarong Real Estate. Huarong Real Estate is wholly owned by China Huarong Asset, which is owned as to 65% by 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 600,000,000 shares of the Company.

3. Freeman Union is the beneficial owner of 63,660,000 shares of the Company and is wholly owned by Freeman United Investments. Freeman United Investments is wholly owned by Ambition Union. Ambition Union is owned as to 76% by Freeman United Investments and as to 24% by Freeman Corporation. Freeman Corporation is wholly owned by Freeman Financial Investment. Freeman Financial Investment is wholly owned by Freeman Fintech Corporation. Therefore, Freeman United Investments, Ambition Union, Freeman Corporation, Freeman Financial Investment and Freeman Fintech Corporation are deemed to be interested in the 63,660,000 shares of the Company held by Freeman Union.
4. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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.

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 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

During the Relevant 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”).

- Reference is made to the announcement of the Company dated 31 August 2018 and 14 September 2018 in relation to the non-compliance with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Following the appointment of Mr. Lee Man Yeung as the additional independent non-executive Director and a member of the Audit Committee on 14 September 2018, the Company has three independent non-executive Directors and three members of the Audit Committee and thus is in compliance with Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules.

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 5.33 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 Ms. Li Huanli and Mr. Lee Man Yeung (appointed on 14 September 2018 following the resignation of Mr. Lau Yik Lok on 31 August 2018). 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, 12 February 2019

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. Lee Man Yeung.