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

2019 Third Quarterly Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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 2019 (the "**Relevant Period**"), together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2019

		Three months ended 31 December		**Nine months ended 31 December**	
	Notes	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Revenue	*4*	**31,158**	34,795	**67,487**	71,439
Cost of services		**(31,607)**	(37,838)	**(68,119)**	(75,353)
Gross loss		**(449)**	(3,043)	**(632)**	(3,914)
Other income	*5*	**1,792**	1,034	**5,212**	6,665
Reversal of impairment loss on retention receivables		**–**	170	**–**	170
Administrative expenses		**(3,173)**	(3,716)	**(8,679)**	(11,495)
Finance costs	*6*	**(253)**	(146)	**(767)**	(757)
Loss before income tax	*7*	**(2,083)**	(5,701)	**(4,866)**	(9,331)
Income tax (expense)/credit	*8*	**(324)**	356	**(286)**	704
Loss and total comprehensive income for the period attributable to the owners of the Company		**(2,407)**	(5,345)	**(5,152)**	(8,627)
Loss per share		**HK cents**	HK cents	**HK cents**	HK cents
— Basic and diluted	*9*	**(0.30)**	(0.67)	**(0.64)**	(1.08)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Attributable to the owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserves** HK$'000	**Accumulated losses** HK$'000	**Capital reserve** HK$'000	**Total** HK$'000
As at 1 April 2019 (Audited)	**8,000**	**82,525**	**(51,705)**	**(49,417)**	**3,118**	**(7,479)**
Loss and total comprehensive income for the period	**–**	**–**	**–**	**(5,152)**	**–**	**(5,152)**
As at 31 December 2019 (Unaudited)	**8,000**	**82,525**	**(51,705)**	**(54,569)**	**3,118**	**(12,631)**
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)

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 5/F, Shum Tower, 268 Des Voeux Road Central, Sheung Wan, 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 AND PRINCIPAL 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.

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.

Except as described in the section headed" Change in the accounting policies" below, the accounting policies applied and the method of computation used in the preparation of the unaudited condensed consolidated financial statements for the Relevant Period are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2019.

The adoption of the New and Revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements for the Relevant Period and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the Relevant Period. The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

3. CHANGE IN THE ACCOUNTING POLICIES

HKFRS 16 — Leases

HKFRS 16 Leases ("**HKFRS 16**") supersedes HKAS 17 Leases ("**HKAS 17**") and related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The lease liability should be recognised at the present value of the lease payments that are not paid at the date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in-substance fixed payments or a change in assessment to purchase the underlying asset.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The adoption of HKFRS 16 did not result in a significant impact on the Group's results but certain portion of these lease commitments was recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities at 1 April 2019. The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and recognised the cumulative effect of initial application to opening retained earnings at 1 April 2019 without restating the comparative information.

The Group elected to use the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17. Therefore, the Group did not reassess whether a contract is, or contains, a lease which already existed prior to the date of initial application. Therefore, the definition of a lease under HKFRS 16 was applied only to the contracts entered into or changed on or after 1 April 2019. The Group also elected the practical expedients to apply a single discount rate to a portfolio of leases with reasonably similar characteristics on transition and excluded the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

For the leases previously classified as operating leases, the Group recognises a lease liability, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 April 2019. The Group applied the practical expedient not to recognise right-of-use assets and lease liabilities in respect of land and building that had a lease term of 12 months or less at 1 April 2019. The Group recognises the lease payments associated with these leases as the expenses related to short-term leases on a straight-line basis over the lease term.

For the leases previously classified as finance leases under HKAS 17, the carrying amount of the right-of-use asset and the lease liabilities at 1 April 2019 shall be the carrying amount of the lease asset and lease liabilities immediately before that date measured applying HKAS 17.

The adoption of HKFRS 16 has no material effect on the adjustments to the opening balance of the retained earnings at 1 April 2019 in the condensed consolidated statement of changes in equity.

4. 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.

5. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Gain on disposal of property, plant and equipment	**1,700**	–	**3,269**	5,419
Income from trading machinery	**–**	442	**–**	442
Rental income from leasing machinery	**67**	584	**772**	739
Others	**25**	8	**1,171**	65
	1,792	1,034	**5,212**	6,665

6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Interest on finance leases	**–**	11	**–**	82
Interest on lease liabilities	**13**	–	**44**	–
Interest on loans from directors	**158**	72	**446**	361
Interest on unsecured borrowings	**82**	63	**277**	314
	253	146	**767**	757

7. LOSS BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Loss before income tax is arrived at after charging/(crediting):				
Employee benefit expense (including Directors' remuneration)	**8,389**	9,388	**20,045**	22,933
(Gain)/Loss on disposal of property, plant & equipment, net	**(1,700)**	337	**(3,269)**	(5,082)
Depreciation				
— Property, plant and equipment	**1,106**	1,915	**2,913**	6,634
— Right-of-use assets	**163**	–	**487**	–
Reversal of impairment loss on retention receivables	**–**	(170)	**–**	(170)

8. INCOME TAX (EXPENSE)/CREDIT

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Current tax for the period:				
— Hong Kong profits tax	**–**	–	**–**	–
— Deferred tax	**(324)**	356	**(286)**	704
	(324)	356	**(286)**	704

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 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.

9. 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	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	**(5,152)**	(8,627)
	'000	'000
Number of shares		
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 2019 and 2018.

10. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (2018: 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$4.0 million or 5.5%. Its gross loss margin was approximately 0.9% as compared to gross loss margin 5.5% for the same period in 2018. In the 2018–2019 Budget Speech, Government announced that it will spend HK$85.6 billion on the public infrastructure. However, the construction industry has been adversely impacted by the social unrest and suspension of Legislative Council funding approval meeting resulting in no major infrastructure projects approved by the government during the Relevant Period. 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$67.5 million, representing a decrease of approximately HK$4.0 million or 5.5% as compared to the revenue for the nine months ended 31 December 2018. The decrease was mainly due to the social unrest and suspension of Legislative Council funding approval meeting resulting in no major infrastructure projects approved by the government during the Relevant Period.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK$0.6 million (2018: gross loss approximately HK$3.9 million) and the gross loss margin was approximately 0.9% (2018: gross loss margin approximately 5.5%). The decline in gross loss margin was a result of a decrease in depreciation of machinery as some of the machines fully depreciated.

Administrative Expenses

The administrative expenses decreased by approximately HK$2.8 million or 24.5% from HK$11.5 million for the nine months ended 31 December 2018 to HK$8.7 million for the Relevant Period. The decrease was mainly due to a decrease in director's remuneration by approximately HK$1.8 million and a decrease in depreciation of property, plant and equipment included in administrative expenses by approximately HK$0.8 million.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK$5.2 million (2018: approximately HK$8.6 million). Such decrease in loss was mainly due to a decrease in gross loss margin and a 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 31 December 2019, 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 2019.

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 2019, 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 2019, 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 5)*
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%
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%

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares *(Note 5)*
Freeman Union Limited ("**Freeman Union**") *(Note 3)*	Beneficial owner	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Freeman United Investments Limited ("**Freeman United Investments**") *(Note 3)*	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Ambition Union Limited ("**Ambition Union**") *(Note 3)*	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Freeman Corporation Limited ("**Freeman Corporation**") *(Note 3)*	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Freeman Financial Investment Corporation ("**Freeman Financial Investment**") *(Note 3)*	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Freeman Fintech Corporation Limited ("**Freeman Fintech Corporation**") *(Note 3)*	Interest of a controlled Corporation	63,660,000(L) 63,660,000(S)	7.95% 7.95%
Prosper Talent Limited ("**Prosper Talent**") *(Note 4)*	Person having a security interest in shares	63,660,000(L)	7.96%
CCBI Investments Limited ("**CCBI Investments**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB International (Holdings) Limited ("**CCB International**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB Financial Holdings Limited ("**CCB Financial**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB International Group Holdings Limited ("**CCB International Group**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%
China Construction Bank Corporation ("**China Construction Bank**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%
Central Huijin Investment Ltd. ("**Central Huijin**") *(Note 4)*	Security interest of controlled corporation	63,660,000(L)	7.96%

(L): Long position
(S): Short position

Notes:

1. 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.

2. 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. Based on the notification filed to the Company, Freeman Fintech Corporation pledged 63,660,000 shares to Prosper Talent. Prosper Talent is a wholly owned subsidiary of CCBI Investments, which in turn is a wholly owned subsidiary of CCB International, which in turn is a wholly owned subsidiary of CCB Financial, which in turn is a wholly owned subsidiary of CCB International Group, which in turn is a wholly owned subsidiary of China Construction Bank, which is 57.11% held by Central Huijin. Therefore, CCBI Investments, CCB International, CCB Financial, CCB International Group, China Construction Bank and Central Huijin are deemed to be interested in the 63,660,000 shares of the Company held by Prosper Talent.

5. The percentage is calculated on the basis of 800,000,000 shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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

The Company has applied the principal and code provisions in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practice. To the best knowledge of the Board, the Company had complied with all applicable code provisions as set out in the CG Code during the Relevant Period, except the following:

— Ms. Li Huanli ("**Ms. Li**") 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 31 January 2020. Following the resignation of Ms. Li as an independent non-executive Director on 31 January 2020, the Board was 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 CG Code. The Audit Committee currently comprises two independent non-executive Directors and is chaired by Mr. Yang Zida. Another member is Mr. Lee Man Yeung. 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, 11 February 2020

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 Mr. Yang Zida and Mr. Lee Man Yeung.