



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



**2020**

First 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 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 2020 (the "**Relevant Period**"), together with the comparative unaudited figures for the corresponding period in 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months ended 30 June 2020*

	Notes	Three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	37,860	13,051
Cost of services		(39,513)	(14,015)
Gross loss		(1,653)	(964)
Other income	4	2,463	2,895
Administrative expenses		(2,357)	(2,812)
Finance costs	5	(242)	(247)
Loss before income tax	6	(1,789)	(1,128)
Income tax credit	7	–	11
Loss and total comprehensive income for the period attributable to the owners of the Company		(1,789)	(1,117)
		<b>HK cents</b>	<b>HK cents</b>
Loss per share — Basic and diluted	8	(0.22)	(0.14)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Capital reserve HK\$'000	Total HK\$'000
As at 1 April 2020 (Audited)	8,000	82,525	(51,705)	(56,624)	3,118	(14,686)
Loss and total comprehensive income for the Relevant Period	-	-	-	(1,789)	-	(1,789)
As at 30 June 2020 (Unaudited)	8,000	82,525	(51,705)	(58,413)	3,118	(16,475)
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	-	-	-	(1,117)	-	(1,117)
As at 30 June 2019 (Unaudited)	8,000	82,525	(51,705)	(50,534)	3,118	(8,596)

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## 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

The Group's unaudited condensed consolidated financial statements 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.

These condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020 (the "**2020 annual financial statements**").

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires 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 auditors, but have been reviewed by the audit committee (the "**Audit Committee**") of the Company.

The unaudited condensed consolidated financial statements for the Relevant Period have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements 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.

For the purpose of preparing and presenting the financial information of the unaudited condensed consolidated financial statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2020. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

### 3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents amount received and receivable from contract works performed and is recognized over time using output method, i.e. based on surveys of work completed by the Group to date.

#### 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 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	2,284	1,569
Rental income from leasing machinery	–	372
Others	179	954
	<b>2,463</b>	2,895



## 5. FINANCE COSTS

	<b>Three months ended 30 June</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
Interest on lease liabilities/finance leases	55	4
Interest on loan from a former director	49	100
Interest on loans from directors	138	143
	<b>242</b>	247

## 6. LOSS BEFORE INCOME TAX

	<b>Three months ended 30 June</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:		
Employee benefit expense (including Directors' remuneration)	7,373	5,313
Depreciation of property, plant and equipment	818	993
Depreciation of right-of-use assets	585	103

## 7. INCOME TAX CREDIT

The amount of income tax credit in the consolidated statement of comprehensive income represents:

	<b>Three months ended 30 June</b>	
	<b>2020 HK\$'000 (Unaudited)</b>	2019 HK\$'000 (Unaudited)
Current tax for the period:		
Hong Kong profits tax	–	–
Deferred tax	–	11
	–	11

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 either incurred 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 Company is based on the following data:

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss for the purpose of calculating basic loss per share	(1,789)	(1,117)
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	800,000	800,000

Diluted loss per share was the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 June 2020 and 2019.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 (2019: nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

The Group is principally engaged in the foundation works business as a 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 recorded an increase in turnover of approximately HK\$24.8 million or 190.1%. Its gross loss margin was approximately 4.4% as compared to gross profit margin 7.4% for the three months ended 30 June 2019. The Group's performance is relatively stable under the current business environment, even such environment of construction industry has been 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. However, the competition remains very keen due to the growing number of market players, the construction costs continue to rise as the labour shortages, increasingly stringent regulatory controls and rising construction material and operation costs, which are deeply affected our Group's gross profit margin. Although the market conditions are less favourable to the 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\$37.9 million, representing an increase of approximately HK\$24.8 million or 190.1% as compared to the revenue for the three months ended 30 June 2019. The increase was mainly due to the increase in a number of projects tendered by the Group during the Relevant Period.

### Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$1.7 million (2019: gross loss approximately HK\$1.0 million) and the gross loss margin was approximately 4.4% (2019: gross loss margin 7.4%). The decline in gross loss margin was mainly due to the tight control of direct costs and the improvement of the bidding prices on the new tenders.

## Administrative Expenses

The administrative expenses decreased by approximately HK\$0.4 million or 16.2%, from HK\$2.8 million for the three months ended 30 June 2019 to HK\$2.4 million for the Relevant Period. The decrease was mainly due to the decrease in salary and allowances and depreciation of property, plant and equipment.

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

Loss and total comprehensive income for the Relevant Period was approximately HK\$1.8 million (2019: loss approximately HK\$1.1 million). Such increase in loss was mainly due to an increase in the amount of gross loss.

## 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 2020, 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:

### Interest and short 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(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 30 June 2020.



## 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 2020, 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 2020, 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:

Name of shareholders	Capacity/Nature of interests capital	Number of shares held	Percentage of issued shares (Note 6)
Steel Dust Limited (Note 1)	Beneficial owner	600,000,000(L) 83,977,158(S)	75.0% 10.5%
Fok Hei Yu (Note 2)	Person having a security interest in shares	600,000,000(L)	75.0%
Chow Wai Shing Daniel (Note 2)	Person having a security interest in shares	600,000,000(L)	75.0%
China Huarong Macau (HK) Investment Holdings Limited ("China Huarong Macau") (Note 1 and 3)	Security interest	600,000,000(L)	75.0%
China Huarong (Macau) International Company Limited ("China Huarong International") (Note 3)	Interest of a controlled corporation	600,000,000(L)	75.0%
Huarong (HK) Industrial Financial Investment Limited ("Huarong (HK) Industrial") (Note 3)	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 6)
Huarong Real Estate Co., Limited ("Huarong Real Estate") (Note 3)	Interest of a controlled corporation	600,000,000(L)	75.0%
China Huarong Asset Management Co., Limited ("China Huarong Asset") (Note 3)	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 3)	Interest of a controlled corporation	600,000,000(L)	75.0%
Freeman Union Limited ("Freeman Union") (Note 4)	Beneficial owner	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Freeman United Investments Limited ("Freeman United Investments") (Note 4)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Ambition Union Limited ("Ambition Union") (Note 4)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Freeman Corporation Limited ("Freeman Corporation") (Note 4)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Freeman Financial Investment Corporation ("Freeman Financial Investment") (Note 4)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Freeman Fintech Corporation Limited ("Freeman Fintech Corporation") (Note 4)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Prosper Talent Limited ("Prosper Talent") (Note 5)	Person having a security interest in shares	63,660,000(L)	7.96%
CCBI Investments Limited ("CCBI Investments") (Note 5)	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB International (Holdings) Limited ("CCB International") (Note 5)	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB Financial Holdings Limited ("CCB Financial") (Note 5)	Security interest of controlled corporation	63,660,000(L)	7.96%
CCB International Group Holdings Limited ("CCB International Group") (Note 5)	Security interest of controlled corporation	63,660,000(L)	7.96%
China Construction Bank Corporation ("China Construction Bank") (Note 5)	Security interest of controlled corporation	63,660,000(L)	7.96%
Central Huijin Investment Ltd. ("Central Huijin") (Note 5)	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 Steel Dust. China Huarong Macau thus has security interest over these shares.
2. Fok Hei Yu and Chow Wai Shing Daniel of FTI Consulting (Hong Kong) Limited were appointed by China Huarong Macau as receivers pursuant to shares charge dated 30 August 2017 entered into by Steel Dust as chargor and China Huarong Macau as chargee. For details, please refer to the announcements of the Company dated 24 June 2020, 2 July 2020 and 3 August 2020 respectively.
3. 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.
4. 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% 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.
5. 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.
6. The percentage is calculated on the basis of 800,000,000 shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 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. To the best knowledge of the Board, the Company had complied with all applicable code provisions as set out in the Code during the Relevant Period.



## 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 three independent non-executive Directors and is chaired by Mr. Sai Chun Yu. The other members are Mr. Lee Man Yeung and Mr. Lee Yan Sang. 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 statements 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**  
**Wong Chin To**  
*Chairman*

Hong Kong, 10 August 2020

*As at the date of this report, the executive Directors are Mr. Wong Chin To (Chairman), Mr. Zhang Weijie and Mr. Duan Ximing; and the independent non-executive Directors are Mr. Sai Chun Yu, Mr. Lee Yan Sang and Mr. Lee Man Yeung.*