



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

**THIRD QUARTERLY
REPORT**



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

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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 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 and nine months ended 31 December 2020

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	19,468	31,158	88,306	67,487
Cost of services		(28,088)	(31,607)	(107,895)	(68,119)
Gross loss		(8,620)	(449)	(19,589)	(632)
Other income	4	–	1,792	5,458	5,212
Administrative expenses		(3,455)	(3,173)	(8,408)	(8,679)
Finance costs	5	(534)	(253)	(1,078)	(767)
Loss before income tax	6	(12,609)	(2,083)	(23,617)	(4,866)
Income tax expense	7	–	(324)	–	(286)
Loss and total comprehensive income for the period attributable to the owners of the Company		(12,609)	(2,407)	(23,617)	(5,152)
Loss per share		HK cents	HK cents	HK cents	HK cents
— Basic and diluted	8	(1.58)	(0.30)	(2.95)	(0.64)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	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 2020 (Audited)	8,000	82,525	(51,705)	(56,624)	3,118	(14,686)
Loss and total comprehensive income for the period	-	-	-	(23,617)	-	(23,617)
As at 31 December 2020 (Unaudited)	8,000	82,525	(51,705)	(80,241)	3,118	(38,303)
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)

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 in Hong Kong are located at Windward 3, Regatta Office Park, 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 its 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.

On 14 December 2020, Steel Dust Limited, the then substantial shareholder of the Company, the Receivers (Fok Hei Yu and Chow Wai Shing Daniel of FTI Consulting (Hong Kong) Limited were appointed by China Huarong Macau (HK) Investment Holdings Limited as receivers pursuant to the share charge dated 30 August 2017 entered into by Steel Dust Limited as chargor and China Huarong Macau (HK) Investment Holdings Limited as chargee) and QUANTONG GROUP HOLDINGS LIMITED entered into the Sale and Purchase Deed, pursuant to which Steel Dust Limited and the Receivers sold an aggregate of 600,000,000 shares of the Company, representing 75.0% of the then total issued share capital of the Company at a consideration of HK\$40,000,000 to QUANTONG GROUP HOLDINGS LIMITED. Upon completion of the said sale and purchase on 17 December 2020, QUANTONG GROUP HOLDINGS LIMITED became the substantial shareholder of the Company.

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 judgement 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.

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 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 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	–	1,700	2,504	3,269
Government subsidies	–	–	2,783	–
Rental income from leasing machinery	–	67	99	772
Others	–	25	72	1,171
	–	1,792	5,458	5,212

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on lease liabilities	55	13	163	44
Interest on loans from directors	1	158	219	446
Interest on loan from a former director	44	82	137	277
Interest on unsecured borrowings	434	–	559	–
	534	253	1,078	767

6. LOSS BEFORE INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss before income tax is arrived at after charging:				
Employee benefit expense (including Directors' remuneration)	6,169	8,389	20,167	20,045
Depreciation of property, plant and equipment	359	1,269	3,079	3,400

7. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax for the period:				
— Hong Kong profits tax	—	—	—	—
— Deferred tax	—	324	—	286
	—	324	—	286

No provision for Hong Kong profits tax (calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the Relevant Period) 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.

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(23,617)	(5,152)
	'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 2020 and 2019.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (2019: 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 an increase in turnover of approximately HK\$20.8 million or 30.8%. Its gross loss margin was approximately 22.2% as compared to gross loss margin of approximately 0.9% for the nine months ended 31 December 2019. The competition remains very keen due to the growing number of market players, the continuously increasing construction costs due to labour shortages, increasingly stringent regulatory controls and rising construction material and operation costs, which deeply affected the Group's gross profit margin.

In view of the sustained losses of the Group, while the Group will continue with its existing principal business, the Group will conduct a detailed review on the existing principal operations and business and the financial position of the Group for the purpose of formulating business plans and strategies for the long-term business development and will explore other business opportunities for the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Group may consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Relevant Period was approximately HK\$88.3 million, representing an increase of approximately HK\$20.8 million or 30.8% as compared to the revenue for the nine months ended 31 December 2019. The increase was mainly due to an increase of number of sizable projects tendered by the Group last year. Two of projects contributed revenue of approximately HK\$52.3 million which represented 59.2% of the Group's turnover.

Gross Loss and Gross Loss Margin

For the Relevant Period, the Group recorded a gross loss of approximately HK\$19.6 million (2019: gross loss of approximately HK\$0.6 million) and the gross loss margin was approximately 22.2% (2019: gross loss margin 0.9%). Such increase in gross loss and gross loss margin were due to the loss from one of the major projects with gross loss margin of approximately 31.9% as some construction work done was not agreed or certified by the main contractor by the end of the Relevant Period. For the period from September to November 2020, the Group incurred unexpected costs which amounted to HK\$6.5 million.

Administrative Expenses

The administrative expenses decreased by approximately HK\$0.3 million or 3.1% from HK\$8.7 million for the nine months ended 31 December 2019 to HK\$8.4 million for the Relevant Period. The decrease was mainly due to the decrease in salary and allowances included in administrative expenses which amounted to HK\$0.5 million.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Net loss for the Relevant Period was approximately HK\$23.6 million (2019: approximately HK\$5.2 million). Such increase in loss was mainly due to the increase in gross loss for the reasons set out above.

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 2020, none of the Directors nor the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to Section 352 of the SFO, have been entered in the register referred to therein, or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial shareholders of the Company in the shares and underlying shares of the Company

As at 31 December 2020, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/nature of interests	Number of shares held	Percentage of issued shares (Note 5)
QUANTONG GROUP HOLDINGS LIMITED ("QUANTONG GROUP") (Note 1)	Beneficial owner	600,000,000(L)	75.0%
Mr. Xing Yuan (Note 1)	Interest of a controlled corporation	600,000,000(L)	75.0%
Mr. Fu Yik Lung (Note 2)	Person having a security interest in shares	600,000,000(L)	75.0%
Freeman Union Limited ("Freeman Union") (Note 3)	Beneficial owner	63,660,000(L) 63,660,000(S)	7.96% 7.96%

Name of shareholder	Capacity/nature of interests	Number of shares held	Percentage of issued shares (Note 5)
Freeman United Investments Limited (" Freeman United Investments ") (Note 3)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Ambition Union Limited (" Ambition Union ") (Note 3)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
Freeman Corporation Limited (" Freeman Corporation ") (Note 3)	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 3)	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 3)	Interest of a controlled corporation	63,660,000(L) 63,660,000(S)	7.96% 7.96%
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. Mr. Xing Yuan wholly and beneficially owns QUANTONG GROUP. Pursuant to the SFO, Mr. Xing Yuan is deemed to be interested in all shares of the Company held by the QUANTONG GROUP.
2. 600,000,000 shares of the Company were charged by QUANTONG GROUP in favour of Mr. Fu Yik Lung as security for a loan in the amount of not more than HK\$65,000,000 granted by Mr. Fu Yik Lung to QUANTONG GROUP. Mr. Fu Yik Lung thus has security interest over these shares.
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 of the Company 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 of the Company in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, there was no person or corporation (other than the Directors and the chief executive of the Company) 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 or which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV 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 or may compete, directly or indirectly, with the business of the Group, or any other conflict of interests which any such person has or may have with 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.

CHANGE OF DIRECTORS' INFORMATION

The changes in the information of the Directors since the date of the Annual Report 2020 are set out below:

- Mr. Zhang Weijie retired as the chairman of the Board with effect from 9 July 2020 and as an executive Director with effect from 21 August 2020.
- Mr. Duan Ximing retired as an executive Director and the chief executive officer of the Company with effect from 21 August 2020.
- Mr. Lau Yik Lok was appointed as an executive Director and the chief executive officer of the Company with effect from 16 September 2020.
- Mr. Ji Zhendong, Mr. Lai Yanjun and Ms. Xu Zhi were appointed as executive Directors with effect from 20 January 2021.
- Mr. Wong Chun Hung, Mr. Kung Wai Chiu Marco and Ms. Wong Chi Yan were appointed as independent non-executive Directors with effect from 20 January 2021.

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

The Company was informed by QUANTONG GROUP that on 14 December 2020, Steel Dust Limited, the Receivers and QUANTONG GROUP entered into the Sale and Purchase Deed, pursuant to which, among other things, Steel Dust Limited and the Receivers agreed to sell and QUANTONG GROUP agreed to acquire the sale shares, being an aggregate of 600,000,000 shares (representing 75.0% of the entire issued share capital of the Company), at the consideration of HK\$40,000,000 (or approximately HK\$0.067 per sale share). Following the completion on 17 December 2020, QUANTONG GROUP had become the controlling shareholder of the Company and was required under the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offer to acquire all the issued shares (other than those already owned or agreed to be acquired by QUANTONG GROUP and parties acting in concert with it) at HK\$0.075 per offer share (the "**Offer**"). The Offer is expected to be closed on 10 February 2021. Details of the change of controlling shareholder and the Offer are set out in the joint announcements dated 22 December 2020 and 20 January 2021 and the composite document dated 20 January 2021 jointly issued by the Company and QUANTONG GROUP.

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. Sai Chun Yu. Other members are Mr. Lee Man Yeung and Mr. Lee Yan Sang. 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
Wong Chin To
Chairman

Hong Kong, 8 February 2021

As at the date of this report, the Board comprises (i) Mr. Wong Chin To (Chairman), Mr. Lau Yik Lok, Mr. Ji Zhendong, Mr. Lai Yanjun and Ms. Xu Zhi as executive Directors; and (ii) Mr. Sai Chun Yu, Mr. Lee Man Yeung, Mr. Lee Yan Sang, Mr. Wong Chun Hung, Mr. Kung Wai Chiu Marco and Ms. Wong Chi Yan as independent non-executive Directors.