



Wing Fung Group Asia Limited
榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8526

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 Wing Fung Group Asia Limited (the "**Company**") 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 and its subsidiaries (collectively, the "**Group**"). 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.*

QUARTERLY FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	39,807	56,510
Cost of sales	4	(34,714)	(46,822)
Gross profit		5,093	9,688
Other income, net		69	36
Impairment gains/(losses) on trade receivables and contract assets	4	99	(75)
Administrative expenses	4	(4,125)	(4,052)
Other expenses		(1,404)	—
Operating (loss)/profit		(268)	5,597
Finance costs		(80)	(159)
(Loss)/profit before income tax		(348)	5,438
Income tax expense	5	(271)	(1,172)
(Loss)/profit for the period		(619)	4,266
Other comprehensive income for the period, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
— Exchange differences on translation of a foreign operation		95	158
Total comprehensive (loss)/income for the period		(524)	4,424
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company (HK cents per share)	7	(0.11)	0.74

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
For the three months ended 31 March 2020							
At 1 January 2020 (Audited)	5,740	41,147	(618)	11,676	(12,941)	57,120	102,124
Loss for the period	—	—	—	—	—	(619)	(619)
Exchange differences arising on translation of a foreign operation	—	—	95	—	—	—	95
Total comprehensive income/ (loss) for the period	—	—	95	—	—	(619)	(524)
At 31 March 2020 (Unaudited)	5,740	41,147	(523)	11,676	(12,941)	56,501	101,600
For the three months ended 31 March 2019							
At 1 January 2019 (Audited)	5,740	41,147	(777)	11,676	(12,941)	35,809	80,654
Profit for the period	—	—	—	—	—	4,266	4,266
Exchange differences arising on translation of a foreign operation	—	—	158	—	—	—	158
Total comprehensive income for the period	—	—	158	—	—	4,266	4,424
At 31 March 2019 (Unaudited)	5,740	41,147	(619)	11,676	(12,941)	40,075	85,078

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2020

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability under Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Units 13 & 14, 9th Floor, Worldwide Industrial Centre, 43-47 Shan Mei Street, Fotan, the New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of supply, installation and fitting-out services of mechanical ventilation and air-conditioning ("**MVAC**") system for buildings. The Company's immediate and ultimate holding company is Wing Fung Capital Limited, a private company incorporated in the British Virgin Islands.

The unaudited condensed consolidated financial information for the Relevant Period (the "**First Quarterly Financial Information**") are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company.

The Company listed its shares on GEM of the Stock Exchange on 27 February 2018 (the "**Listing**").

The First Quarterly Financial Information have not been audited but have been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

This First Quarterly Financial Information of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The First Quarterly Financial Information have been prepared under the historical cost convention.

The preparation of the First Quarterly Financial Information requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the First Quarterly Financial Information are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the First Quarterly Financial Information.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

3 REVENUE

The Group's revenue are derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings to external customers in Hong Kong and Macau during the period.

4 EXPENSES BY NATURE

	Three months ended 31 March	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Costs of materials	11,484	13,255
Subcontractor costs	17,455	29,707
Employee benefit expenses		
— directors' remuneration	1,603	1,424
— direct labour	3,420	3,227
— administrative staff	520	720
Impairment (gains)/losses on trade receivables	(120)	32
Impairment losses on contract assets	21	43
Auditor's remuneration		
— Audit services	250	237
— Non-audit services	18	12

5 INCOME TAX EXPENSE

The amount of income tax expense charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
— Hong Kong profits tax	28	1,222
— Macau complementary tax	233	—
— Under provision in prior years	10	—
	271	1,222
Deferred income tax	—	(50)
Income tax expense	271	1,172

(i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (for the three months ended 31 March 2019: 16.5%).

(ii) Macau Complementary Tax

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the three months ended 31 March 2019: 12%) on the taxable income above Macau Pataca (“MOP”) 600,000 (approximately HK\$574,000) of the Group’s operation in Macau.

6 DIVIDENDS

The Board does not recommend the payment of any dividend for the Relevant Period (for the three months ended 31 March 2019: Nil).

7 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
(Loss)/profit attributable to owners of the Company (in HK\$'000)	(619)	4,266
Weighted average number of ordinary shares in issue	574,000,000	574,000,000
Basic (loss)/earnings per share (HK cents per share)	(0.11)	0.74

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share since the Company has no dilutive potential shares during the three months ended 31 March 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged as a subcontractor for the provision of supply, installation and fitting-out services of MVAC system for various types of private and public building projects including infrastructural, commercial and residential building projects in Hong Kong and Macau.

Stepping into 2020, the outbreak of the novel coronavirus (COVID-19) and its escalation on a global scale has triggered unprecedented disruptions in business operations and to the economy. While it would be difficult to gauge the longer term impact of such events as the situation is dynamically revolving, the Group has been proactive in closely monitoring the market conditions and taking appropriate measures to respond to the challenges. During the Relevant Period, the Group has suffered temporary suspension of construction works in February and March 2020 as a result of the COVID-19 epidemic, which has led to delays in building schedule of on-going projects of the Group and a decrease in the amount of work recognised during the Relevant Period. Despite the construction works of all on-going projects of the Group has since resumed, the Group will continue to monitor the development of the COVID-19 epidemic and its impact on the operations and results of the Group, if any. The Group will continue to strengthen its cost control and resources management as well as to actively participate in project tenders, in order to maintain its competitiveness in the market.

Looking forward, the Board remains confident in the core competencies and prospect of the Group and is committed in creating long-term value to the shareholders of the Company.

Financial Review

Revenue

As mentioned above, as a result of suspension of construction works and delays in building schedule of on-going projects of the Group due to the outbreak of COVID-19 epidemic during the Relevant Period, the amount of work performed and certified has decreased as compared to the corresponding period in 2019, leading to a drop in our revenue from approximately HK\$56.5 million for the three months ended 31 March 2019 to approximately HK\$39.8 million for the Relevant Period, representing a decrease of approximately 29.6%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$16.6 million from new projects (in particular two new projects located at Kai Tak and Freguesia da Sé in Macau which collectively contributed to an increase in revenue of approximately HK\$13.3 million); and (ii) an increase in revenue of approximately HK\$14.8 million due to the increase in the amount of work under our existing projects as compared with the three months ended 31 March 2019 (in particular, a project located at Chek Lap Kok and a project located at Ilhas in Macau), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$22.4 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$25.7 million due to the decrease in the amount of work under our existing projects as compared with the three months ended 31 March 2019 (in particular, a project located at Shatin and another project located at Chek Lap Kok together accounted for a decrease in revenue of approximately HK\$17.6 million).

Cost of Services

Our cost of services decreased from approximately HK\$46.8 million for the three months ended 31 March 2019 to approximately HK\$34.7 million for the Relevant Period, representing a decrease of approximately 25.9%. It was because less costs were incurred during the Relevant Period as a result of temporary suspension of on-going projects of the Group in Hong Kong and Macau.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 47.4% from approximately HK\$9.7 million for the three months ended 31 March 2019 to approximately HK\$5.1 million for the Relevant Period. The decrease in our gross profit was primarily due to the decrease in our gross profit margin from approximately 17.1% for the three months ended 31 March 2019 to approximately 12.8% for the Relevant Period. The decrease in our gross profit margin was principally attributable to the decrease in the amount of our works in the project located at Shatin (which has a higher gross profit margin and contributed 35.2% of our total revenue for the three months ended 31 March 2019) and the completion of the project located at Pokfulam (which has a higher gross profit margin for the three months ended 31 March 2019).

Administrative Expenses and Other Expenses

Our Group's administrative and other expenses mainly comprise staff costs (including directors' emoluments), insurance expenses, and legal and professional fees.

During the Relevant Period, our Group's administrative expenses remained relatively stable at approximately HK\$4.1 million (for the three months ended 31 March 2019: approximately HK\$4.1 million). During the Relevant Period, our Group recognised other expenses of approximately HK\$1.4 million which comprised non-recurring professional fees (for three months ended 31 March 2019: Nil).

Income Tax Expense

Income tax expense for the Group decreased by approximately 75.0% from approximately HK\$1.2 million for the three months ended 31 March 2019 to approximately HK\$0.3 million for the Relevant Period. The decrease was mainly due to the decrease in profit before tax.

Loss/Profit for the Period

As a result of the foregoing, our Group recognised a loss of approximately HK\$0.6 million for the Relevant Period as compared with a profit of approximately HK\$4.3 million for the corresponding period in 2019.

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the three months ended 31 March 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any important events after the reporting period that requires disclosure.

DISCLOSURE OF INTERESTS

(I) Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the "Shares"), the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/Nature of Interest	Number of the		Percentage of Shareholding
		Shares held/ interested in	Long/short position	
Mr. Chung Chi Keung ("Mr. Chung")	Interest in controlled corporation ^(Note)	430,500,000	Long position	75%

Note: The 430,500,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and owned as to 7,887 shares representing 78.87% by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is our executive Director, Chairman and Chief Executive Officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(II) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 31 March 2020, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have taken an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/Nature of Interest	Number of the		Percentage of Shareholding
		Shares held/ interested in	Long/short position	
Ms. Chung Mei Lin Joanne ("Ms. Chung")	Interests held jointly with another person ^(Note)	430,500,000	Long position	75%
Wing Fung Capital Limited	Beneficial owner	430,500,000	Long position	75%

Note: On 29 May 2017, Mr. Chung and Ms. Chung entered into a deed of acting in concert (the "**Deed of Acting in Concert**") to acknowledge and confirm, amongst other things, that they are parties acting in concert (within the meaning under the Codes on Takeovers and Mergers and Share Repurchase) in respect of Wing Fung Capital Limited, Wing Fung Engineering (H.K.) Limited and Boto Engineering (Macau) Limited since their respective incorporation. Pursuant to the arrangement under the Deed of Acting in Concert, Mr. Chung and Ms. Chung are deemed to be interested in the Shares held by each other by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares or Debentures” above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At no time during the Relevant Period was the Company or any of its associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the Relevant Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on the terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and all Directors confirmed that they had complied with the required standard of dealings regarding transactions during the Relevant Period. The Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Relevant Period.

INTEREST OF COMPLIANCE ADVISER

As at the date of this report, except for (i) the participation of TC Capital International Limited (“**TC Capital**”) as the sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and TC Capital dated 21 April 2017, neither TC Capital nor any of its directors, employees or close associates had any interests in relation to the Group which are required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to enhance the accountability system and transparency of the Group, protect the interests of the Company’s stakeholders and create value for shareholders of the Company.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules. During the Relevant Period, the Company has adopted and complied with, where applicable, the CG Code to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner, except for Code Provision A.2.1 of the CG Code.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chung is currently the chairman of the Board and the chief executive officer of the Company, responsible for formulating the overall business strategies and overseeing the business and operation of the Group. Considering that Mr. Chung has been responsible for the overall management and operation of the Group since its inception, the Board believes that it is in the best interest of the Group to have Mr. Chung taking up both roles for effective management and business development.

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during the Relevant Period.

AUDIT COMMITTEE

The Group has established an audit committee of the Board (the “**Audit Committee**”) in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or re-appointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of the Group.

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming. Mr. Choy Hiu Fai Eric is the chairman of the Audit Committee and holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company. The unaudited condensed consolidated results of the Group for the Relevant Period had been reviewed by the Audit Committee, which was of the opinion that the unaudited condensed consolidated results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

PRINCIPAL RISKS AND UNCERTAINTIES

The management considers that the following are the principal risks and uncertainties faced by the Group:

- (i) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect the operations and financial results of the Group;
- (ii) erroneous or inaccurate estimation of project duration and the costs involved when determining the tender price may adversely affect the profitability and financial performance of the Group;
- (iii) the Group's historical revenue and profit margin may not be indicative of its future revenue and profit margin; and
- (iv) any delay or defects of the works of the supplier and subcontractors of the Group would adversely affect its operations and financial results.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 12 February 2018.

By order of the Board

Wing Fung Group Asia Limited
Chung Chi Keung

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 6 May 2020

As at the date of this report, the executive Directors are Mr. Chung Chi Keung and Ms. Lai Suk Fan; and the independent non-executive Directors are Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming.