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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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.

*This announcement, 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017, together with the comparative audited figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3	166,082	134,366
Cost of services		<u>(133,513)</u>	<u>(109,733)</u>
Gross profit		32,569	24,633
Other income		535	731
Administrative expenses		(13,567)	(7,315)
Listing expenses		(11,310)	—
Finance costs		<u>(197)</u>	<u>(114)</u>
Profit before tax	4	8,030	17,935
Income tax expense	5	<u>(2,819)</u>	<u>(2,530)</u>
Profit for the year		5,211	15,405
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		<u>(36)</u>	<u>126</u>
Total comprehensive income for the year		<u>5,175</u>	<u>15,531</u>
Basic earnings per share (<i>HK cents</i>)	7	<u>1.23</u>	<u>4.76</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current asset			
Plant and equipment		<u>186</u>	<u>109</u>
Current assets			
Amounts due from customers for contract works	<i>8</i>	10,234	9,079
Trade and other receivables, deposits and prepayments	<i>9</i>	40,617	46,215
Amount due from a director		—	20,708
Pledged and restricted bank deposits		5,725	—
Bank balances and cash		<u>17,284</u>	<u>14,977</u>
		73,860	90,979
Current liabilities			
Amounts due to customers for contract works	<i>8</i>	4,422	10,315
Trade and retention payables	<i>10</i>	14,554	11,985
Other payables and accrued expenses		5,437	1,550
Amount due to a shareholder of the holding company		—	81
Amounts due to related companies		5,041	8,720
Tax payable		3,338	5,187
Bank overdrafts — secured		72	2,404
Bank borrowing		<u>19,485</u>	—
		52,349	40,242
Net current assets		<u>21,511</u>	<u>50,737</u>
Total assets less current liabilities		<u>21,697</u>	<u>50,846</u>
Capital and reserves			
Share capital	<i>11</i>	8	7
Reserves		<u>21,689</u>	<u>50,839</u>
		<u>21,697</u>	<u>50,846</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated under the name Wing Fung Capital Holdings Limited as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 29 September 2016 and its shares are listed on the Stock Exchange on 27 February 2018. On 30 December 2016, the name of the Company was changed to Wing Fung Group Asia Limited. 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's immediate and ultimate holding company is Wing Fung Capital Limited, a private company incorporated in the British Virgin Islands.

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 consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year, the Group has consistently applied all HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the accounting periods beginning on 1 January 2017 consistently throughout the year.

At the date of issuance of these consolidated financial statements, the HKICPA has issued the following new and revised HKFRSs that are not yet effective. The Group has not early adopted these new and revised HKFRSs.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and related Amendments ¹
HKFRS 16	Leases ³
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ³
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after 1 January 2021.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of supply, installation, and fitting-out services of MVAC system for buildings from external customers. The Group's revenue is derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings in Hong Kong and Macau during the year. For the purposes of resources allocation and performance assessment, the chief operating decision maker, Mr. Chung Chi Keung (“**Mr. Chung**”), reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from construction contracts	<u>166,082</u>	<u>134,366</u>

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	98,285	89,404
Macau	<u>67,797</u>	<u>44,962</u>
	<u>166,082</u>	<u>134,366</u>

The following is an analysis of the carrying amounts of non-current assets, analysed by the geographical area in which the assets are located:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	118	80
Macau	68	29
	<u>186</u>	<u>109</u>

Information about major customers

Revenue from customers in respect of construction contracts for the provision of supply, installation and fitting-out services of MVAC system for buildings individually contributed more than 10% of total revenue of the Group during the year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	102,103	42,376
Customer B	41,532	N/A ¹
Customer C	19,211	35,501
Customer D	N/A ¹	40,252
	<u>181,846</u>	<u>118,029</u>

¹ Revenue from the customer is less than 10% of the total revenue of the Group for the relevant year.

4. PROFIT BEFORE TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Staff costs		
Directors' remuneration	5,012	1,374
Other staff costs	12,926	7,887
Contributions to retirement benefits schemes, other than those of directors	308	223
Total staff costs	<u>18,246</u>	<u>9,484</u>
Auditor's remuneration	700	42
Depreciation of plant and equipment	51	31
Loss on write-off of plant and equipment	4	4
Contract costs recognised as expenses	133,513	109,733
Operating lease rentals in respect of minimum lease payments of rented premises	715	1,038
Net exchange losses	165	122
	<u>158,315</u>	<u>121,454</u>

5. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	938	1,562
Macau Complementary Tax	<u>1,797</u>	<u>968</u>
	<u>2,735</u>	<u>2,530</u>
Under(over)provision in prior years:		
Hong Kong Profits Tax	111	—
Macau Complementary Tax	<u>(27)</u>	<u>—</u>
	<u>84</u>	<u>—</u>
	<u><u>2,819</u></u>	<u><u>2,530</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% on the taxable income above Macau Pataca (“MOP”) 600,000.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before tax	<u>8,030</u>	<u>17,935</u>
Tax at the domestic income tax rate of 16.5%	1,325	2,959
Tax effect of expenses not deductible for tax purpose	2,217	130
Tax effect of income not taxable for tax purpose	(103)	(98)
Under provision in respect of prior years	84	—
Tax effect of utilisation of tax losses previously not recognised	—	(65)
Tax effect of different tax rate of subsidiary operating in other jurisdiction	(682)	(362)
Others	<u>(22)</u>	<u>(34)</u>
Income tax expense for the year	<u><u>2,819</u></u>	<u><u>2,530</u></u>

The Group had no unused tax losses as at 31 December 2017 and 2016. There was no significant deferred taxation during the year or at the end of the reporting period.

6. DIVIDENDS

On 10 April 2017, an interim dividend of HK\$27,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the register of members of the Company on 31 December 2016, namely Wing Fung Capital Limited and the First Pre-IPO Investor (as defined in Note 11(b)). Among the dividend declared, HK\$10,946,000 was paid out of share premium and HK\$16,054,000 was paid out of retained profits of the Company. On the same date, for the dividend payable to Wing Fung Capital Limited of HK\$23,824,000, HK\$20,708,000 of which had been settled by offsetting with amount due from a director and the remaining amount of HK\$3,116,000 had been settled in cash. The remaining HK\$3,176,000 payable to the First Pre-IPO Investor, was irrevocably waived by the First Pre-IPO Investor pursuant to a deed of waiver dated 10 April 2017. The amount waived was deemed as capital contribution from a shareholder and credited to capital reserve.

On 24 October 2017, an interim dividend of HK\$34,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the register of members of the Company on 24 October 2017, namely Wing Fung Capital Limited, the First Pre-IPO Investor and the Second Pre-IPO Investor (as defined in Note 11(c)). Among the dividend declared, HK\$27,000,000 was paid out of share premium and HK\$7,000,000 was paid out of retained profits of the Company. On the same date, the dividend payable to Wing Fung Capital Limited of HK\$25,500,000 was settled in cash. The dividend payables of HK\$3,400,000 to the First Pre-IPO Investor and HK\$5,100,000 to the Second Pre-IPO Investor were both irrevocably waived by the First Pre-IPO Investor and the Second Pre-IPO Investor respectively pursuant to deeds of waiver dated 24 October 2017. The amounts waived would be deemed as capital contribution from shareholders and credited to capital reserve.

A final dividend of HK\$2,038,000 was recognised as distribution by Botop Engineering (Macau) Limited (“**Botop Macau**”) to its then shareholders, Mr. Chung and Ms. Chung Mei Lin Joanne (together referred to as the “**Controlling Shareholders**”), during the year ended 31 December 2016.

No other dividend was declared or paid by the Company or any of its subsidiaries during the year ended 31 December 2017.

7. EARNINGS PER SHARE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year) (<i>in HK\$'000</i>)	<u>5,211</u>	<u>15,405</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>422,892,534</u>	<u>323,345,492</u>

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share during the year is based on the assumption that the reorganisation, the increase in authorised share capital and redenomination of share capital, the share subdivision and the capitalisation issue of 429,720,000 shares as explained in the section headed “**History, Development and Reorganisation**” in the prospectus of the Company dated 12 February 2018 (the “**Prospectus**”), had been effective on 1 January 2016 and as adjusted for capital contributions by shareholders during the year.

No diluted earnings per share for the year is presented as there were no potential dilutive ordinary shares in issue during the year.

8. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred	187,489	97,251
Recognised profits less recognised losses	<u>41,417</u>	<u>26,487</u>
	228,906	123,738
Less: Progress billings	<u>(223,094)</u>	<u>(124,974)</u>
	<u>5,812</u>	<u>(1,236)</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract works	10,234	9,079
Amounts due to customers for contract works	<u>(4,422)</u>	<u>(10,315)</u>
	<u>5,812</u>	<u>(1,236)</u>

As at 31 December 2017, retention held by customers for contract works amounted to HK\$20,123,000 (2016: HK\$16,859,000), which are set out in Note 9.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	15,863	28,304
Retention receivables (<i>Note</i>)	20,123	16,859
Deferred listing expenses	3,349	—
Other receivables, deposits and prepayments	<u>1,282</u>	<u>1,052</u>
	<u>40,617</u>	<u>46,215</u>

Note: Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, all being one year from the date of the completion of the respective projects.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	7,275	7,659
After one year	<u>12,848</u>	<u>9,200</u>
	<u>20,123</u>	<u>16,859</u>

Trade receivables arise from the provision of supply, installation and fitting-out services of MVAC system for buildings. The Group grants a credit period ranged from 30 days to 45 days to its customers. The following is an aging analysis of trade receivables based on valuation dates of payment certificates, which approximate the revenue recognition dates, net of allowance for doubtful debts at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	7,057	17,044
31 to 60 days	5,992	9,048
61 to 90 days	948	—
91 to 180 days	65	—
181 days to 1 year	—	—
Over 1 year	1,801	2,212
	15,863	28,304

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$6,359,000 (2016: HK\$2,212,000) which are past due at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aging analysis presented based on the valuation dates of payment certificates of the trade receivables which are past due but not impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
31 to 60 days	3,634	—
61 to 90 days	859	—
91 to 180 days	65	—
Over 1 year	1,801	2,212
	6,359	2,212

All of the trade receivables that are neither past due nor impaired have no default payment history.

10. TRADE AND RETENTION PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	8,229	8,341
Retention payables (<i>Note</i>)	<u>6,325</u>	<u>3,644</u>
	<u><u>14,554</u></u>	<u><u>11,985</u></u>

Note: Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective projects.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within one year	2,223	2,671
Due after one year	<u>4,102</u>	<u>973</u>
	<u><u>6,325</u></u>	<u><u>3,644</u></u>

The average credit period of trade payables granted by subcontractors and suppliers is from 30 to 60 days upon the issue of invoices or application of interim payment generally.

The following is an aging analysis of trade payables based on the invoice dates or the dates of application of interim payment.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	6,187	5,703
31 to 60 days	657	1,979
61 to 90 days	278	290
91 to 180 days	783	28
181 days to 1 year	—	42
Over 1 year	<u>324</u>	<u>299</u>
	<u><u>8,229</u></u>	<u><u>8,341</u></u>

11. SHARE CAPITAL

For the purpose of these consolidated financial statements, the issued capital of the Group of HK\$25,000 as at 1 January 2016 represented the combined share capital of Botop Macau of MOP25,000 (equivalent to HK\$24,000) and Wing Fung Engineering (H.K.) Limited (“**Wing Fung HK**”) of HK\$700. The issued capital of the Group of HK\$7,000 as at 31 December 2016 represented the share capital of the Company of 850 shares of US\$1 each. The issued capital of the Group of HK\$7,800 as at 31 December 2017 represented the share capital of the Company of 780,000 shares of HK\$0.01 each.

The movement in the Company’s authorised and issued ordinary share capital are as follows:

	Nominal value per share	Number of shares	Amount	
			US\$'000	HK\$'000
Authorised:				
At 29 September 2016 (date of incorporation) and 31 December 2016	US\$1	50,000	50	390
Creation of shares (<i>Note d</i>)	HK\$0.1	10,000,000,000	N/A	1,000,000
Cancellation of shares (<i>Note d</i>)	US\$1	(50,000)	(50)	(390)
Subdivision of shares (<i>Note e</i>)	HK\$0.01	90,000,000,000	N/A	—
At 31 December 2017	HK\$0.01	<u>100,000,000,000</u>	<u>N/A</u>	<u>1,000,000</u>
Issued and fully paid:				
At 29 September 2016 (date of incorporation) (<i>Note a</i>)	US\$1	1	—	—
Issue of shares (<i>Note b</i>)	US\$1	<u>849</u>	<u>1</u>	<u>7</u>
At 31 December 2016	US\$1	850	1	7
Issue of shares (<i>Note c</i>)	US\$1	150	—	1
Issue of shares (<i>Note d</i>)	HK\$0.1	78,000	N/A	8
Cancellation of shares (<i>Note d</i>)	US\$1	(1,000)	(1)	(8)
Subdivision of shares (<i>Note e</i>)	HK\$0.01	<u>702,000</u>	<u>N/A</u>	<u>—</u>
At 31 December 2017	HK\$0.01	<u>780,000</u>	<u>N/A</u>	<u>8</u>

Notes:

- On 29 September 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. 1 share of US\$1 was issued and allotted to the initial subscriber, which was on the same day transferred to Wing Fung Capital Limited, a company wholly owned by the Controlling Shareholders.

- b. On 15 December 2016, 749 shares of US\$1 each were issued and allotted to Wing Fung Capital Limited for acquisition of Wing Fung HK pursuant to the reorganisation.

On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP (the “**First Pre-IPO Investor**”); and (iii) Mr. Chung, pursuant to which the First Pre-IPO Investor subscribed for 100 new shares at a cash consideration of HK\$10,000,000 (the “**First Pre-IPO Investment**”). The First Pre-IPO Investment was completed on 28 December 2016.

The new shares rank pari passu with the then existing shares in all respects.

- c. On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — FC Treasure Fund I SP (the “**Second Pre-IPO Investor**”) and (iii) Mr. Chung as guarantor, pursuant to which the Second Pre-IPO Investor subscribed for 150 shares of the Company at a cash consideration of HK\$15,000,000 (the “**Second Pre-IPO Investment**”). The Second Pre-IPO Investment was completed on 13 February 2017.

The new shares rank pari passu with the then existing shares in all respects.

- d. Pursuant to the written resolutions of the shareholders passed on 22 March 2017, the authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to the aggregate of (i) US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each; and (ii) HK\$1,000,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.10 each, by the creation of an additional 10,000,000,000 ordinary share of HK\$0.10 each. The increase in authorised share capital of the Company was completed on 31 March 2017.

On the same day, the Company allotted and issued 58,500, 7,800 and 11,700 shares with a par value of HK\$0.10 each to Wing Fung Capital Limited, the First Pre-IPO Investor and the Second Pre-IPO Investor, respectively and repurchased the 1,000 then existing issued shares of US\$1.00 each. Also on the same day, the Company cancelled 50,000 authorised but unissued shares of US\$1.00 each in the share capital of the Company, such that the authorised share capital of the Company became HK\$1,000,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.10 each.

- e. Pursuant to the written resolutions of the shareholders passed on 10 April 2017, each of the issued and unissued shares of the Company of HK\$0.10 each was subdivided into 10 shares with a par value of HK\$0.01 each. Upon completion of the share subdivision, the authorised share capital of the Company became HK\$1,000,000,000 divided into 100,000,000,000 shares of HK\$0.01 each, and the issued share capital of the Company became HK\$7,800 divided into 780,000 shares of HK\$0.01 each.

12. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	273	880
In the second to fifth years inclusive	<u>—</u>	<u>401</u>
	<u><u>273</u></u>	<u><u>1,281</u></u>

Operating lease payments represent rentals payable by the Group for offices premises. These leases are negotiated for terms ranging from one to two years. None of the leases include any contingent rentals.

Included above are the commitments for future minimum lease payments to Botop Engineering Limited, a company in which Mr. Chung has controlling interest.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	<u>—</u>	<u>240</u>

13. CONTINGENT LIABILITIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Indemnities issued to a bank for performance bonds in respect of construction contracts	<u>2,716</u>	<u>—</u>

14. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group at the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Pledged and restricted bank deposits	<u>5,725</u>	<u>—</u>

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.

The shares of the Company (“Share(s)”) were listed on GEM of the Stock Exchange (the “Listing”) on 27 February 2018 (the “Listing Date”) where 143,500,000 ordinary shares (comprising a public offer of 43,050,000 Shares and a placing of 100,450,000 Shares) had been offered for subscription, at an offer price of HK\$0.38 per Share. The net proceeds received by the Company was approximately HK\$27.2 million.

With the Group’s experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the following key business strategies: (i) further developing our business of supply, installation and fitting-out services of MVAC system by making use of additional financial resources available from the Listing, which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) further strengthening the Group’s engineering department through recruiting additional qualified and experienced staff; and (iii) leasing a new office and recruiting additional administrative staff in Macau to handle the expected increasing workload in Macau in the long run.

Financial Review

Revenue

Our revenue increased from approximately HK\$134.4 million for the year ended 31 December 2016 to approximately HK\$166.1 million for the year ended 31 December 2017, representing an increase of approximately 23.6%. The increase was principally due to (i) the revenue of approximately HK\$2.3 million from new projects in particular two new projects located at Happy Valley and one new project located at Kowloon Bay and (ii) the increase in the revenue of approximately HK\$102.4 million due to the increase in the amount of our works under existing projects awarded to us compared to prior period in particular the projects located at Pokfulam, Kai Tak and Taipa in Macau which contributed approximately HK\$97.6 million of the increase. The above increase was partially offset by (i) the decrease in the revenue of approximately HK\$57.1 million as a result of the completion of our projects in prior period and therefore generate no further revenue for the year ended 31 December 2017 in particular for the completion of the project located at Sunny Bay on Lantau Island which contributed approximately HK\$40.3 million of the decrease and (ii) the decrease in the revenue of approximately

HK\$15.9 million due to the decrease in the amount of our works for existing projects awarded to us compared to prior period in particular for the projects located at Tseung Kwan O and Taipa, Iihas in Macau.

Cost of Service

Our cost of sales increased from approximately HK\$109.7 million for the year ended 31 December 2016 to approximately HK\$133.5 million for the year ended 31 December 2017, representing an increase of approximately 21.7% which was lower than the extent of increase in our revenue in the same period due to our improved gross profit margin as discussed below.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 32.5% from approximately HK\$24.6 million for the year ended 31 December 2016 to approximately HK\$32.6 million for the year ended 31 December 2017. The extent of increase in our gross profit was larger than the extent of increase in our revenue due to our improved gross profit margin from approximately 18.3% to approximately 19.6% in the same period. The improvement in our gross profit margin was principally resulted from the increase in the amount of our works in project located at Taipa in Macau (which contributed 38.3% of our total revenue for the year ended 31 December 2017 and recorded a relatively higher gross profit margin for the year ended 31 December 2017), which was partially offset by the completion of our works in project located at Sunny Bay on Lantau Island (which recorded a relatively higher gross profit margin for the year ended 31 December 2016).

Listing Expenses

During the year ended 31 December 2017, our Group recognised non-recurring listing expenses of approximately HK\$11.3 million (2016: Nil) as expenses in connection with the Listing.

Administrative Expenses

Our administrative expenses increased by approximately HK\$6.3 million, or approximately 86.3%, from approximately HK\$7.3 million for the year ended 31 December 2016 to approximately HK\$13.6 million for the year ended 31 December 2017, mainly attributable to the increase in the staff costs and the professional fees.

Income Tax Expense

Our income tax expenses increased by approximately HK\$0.3 million, from approximately HK\$2.5 million for the year ended 31 December 2016 to approximately HK\$2.8 million for the year ended 31 December 2017. The effective tax rate for the year ended 31 December 2017 was approximately 35.1%, which was higher compared to that of approximately 14.1% for the year ended 31 December 2016. The increase in effective tax rate for the year ended 31 December 2017 was mainly due to the inclusion of approximately HK\$11.3 million non-deductible listing expenses (2016: Nil). Excluding these one-off expenses from the profit before tax, our effective tax rate for the year ended 31 December 2017 would have been approximately 14.6% (2016: approximately 14.1%).

Profit for the Year

Our profit for the year decreased by approximately 66.2% from approximately HK\$15.4 million for the year ended 31 December 2016 to approximately HK\$5.2 million for the year ended 31 December 2017. Such decrease was primarily attributable to the listing expenses incurred by the Group for the Listing during the year ended 31 December 2017. Excluding the one-off exceptional expenses for the Listing of the Company of approximately HK\$11.3 million (2016: Nil), profit for the year ended 31 December 2017 would reach approximately HK\$16.5 million (2016: approximately HK\$15.4 million), representing an increase of approximately 7.1% compared to the corresponding period ended 31 December 2016.

Liquidity and Financial Resources

As at 31 December 2017, the Group had total assets of approximately HK\$74.0 million (2016: approximately HK\$91.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$52.3 million (2016: approximately HK\$40.2 million) and approximately HK\$21.7 million (2016: approximately HK\$50.8 million), respectively.

The total interest-bearing borrowing and bank overdraft (31 December 2016: bank overdrafts) of the Group as at 31 December 2017 were approximately HK\$19.6 million (31 December 2016: approximately 2.4 million), and current ratio as at 31 December 2017 was approximately 1.4 times (31 December 2016: approximately 2.3 times).

The Group's borrowings and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the year.

The Group's gearing ratio, which is calculated by dividing the amount due to a shareholder of the holding company, a bank borrowing and the bank overdrafts by total equity at the year-end date, increased from approximately 4.9% as at 31 December 2016 to approximately 90.1% as at 31 December 2017, primarily due to the increase in the level of bank borrowing and the decrease in total equity. The increase in the level of bank borrowing was primarily due to a new term loan raised during the year, whereas the decrease in total equity was primarily due to the declaration of interim dividends during the year.

Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 27 February 2018. Immediately upon Listing, the total issued share capital of the Company was HK\$5,740,000 divided into 574,000,000 Shares of par value of HK\$0.01 each. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2017, the Company's issued share capital was HK\$7,800 (2016: US\$850) divided into 780,000 ordinary Shares of par value of HK\$0.01 each (2016: 850 of US\$1 each).

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK\$0.3 million as at 31 December 2017 (31 December 2016: approximately HK\$1.3 million).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this announcement, the Group did not have any plans for material investments or capital assets as of 31 December 2017.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

Save as disclosed in note 13 of the notes to the consolidated financial statements, as at 31 December 2016 and 2017, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group's revenue generating operations are mainly transacted in Hong Kong dollars and MOP. The Directors consider the impact of foreign exchange exposure to the Group is minimal and the Group did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 December 2017.

Pledge of Assets

Save as disclosed in note 14 of notes to the consolidated financial statements, as at 31 December 2016 and 2017, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 31 December 2017, the Group employed a total of 79 (31 December 2016: 167) employees, 51 (31 December 2016: 145) of them were the labour workers nominated by subcontractors. The relevant cost of employing the labour workers nominated by subcontractors has been classified as subcontracting charges and then the staff costs, including Directors' emoluments, of the Group were approximately HK\$18.2 million for the year ended 31 December 2017 (2016: approximately HK\$9.5 million).

The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses.

COMPETING INTEREST

The Directors are not aware of any business or interest of the Directors or the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2017.

CORPORATE GOVERNANCE CODE

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 improve the accountability system and transparency of the Group, protect the interests 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. As the Shares were listed on GEM of the Stock Exchange since the Listing Date, the CG Code was not applicable to the Company during the period under review. The Company has adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement (the "Relevant Period") 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 role of chairman and chief executive 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.

Save as disclosed above, the Board considered that the Company has complied with the CG Code 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 terms no less exacting than the required standard of dealings 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 securities transactions during the Relevant Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2017.

AUDIT COMMITTEE

The Group has established an audit committee of the Board (the "Audit Committee") pursuant to a resolution of the Board passed on 31 January 2018 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 reappointment 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, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The audited consolidated financial statements of the Group for the year ended 31 December 2017 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2017, the following significant events took place:

- (i) On 27 February 2018, a total of 429,720,000 Shares were allotted and issued, credited as fully paid at par, to the then sole shareholder of the Company by way of capitalisation of a sum of HK\$4,297,200 standing to the credit of the share premium account of the Company. Such Shares rank pari passu in all respects with the then existing issued Shares of the Company.
- (ii) On 27 February 2018, 143,500,000 ordinary Shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$0.38 each by way of share offer (comprising a public offer of 43,050,000 Shares and a placing of 100,450,000 Shares). Such Shares rank pari passu in all respects with the then existing issued Shares of the Company. On the same date, the Company's Shares were listed on GEM.

Save as disclosed above, there was no other significant event after the reporting period.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this announcement, 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 its close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting (“**AGM**”) for the financial year 2017 of the Company is scheduled to be held on 30 May 2018, the notice of AGM together with the 2017 Annual Report will be published on the Company's website at www.wingfunggroup.com and the GEM website at www.hkgem.com and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2018 to 30 May 2018, both days inclusive, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on 23 May 2018.

By order of the Board
Wing Fung Group Asia Limited
Chung Chi Keung
Chairman and Chief Executive Officer

Hong Kong, 21 March 2018

As at the date of this announcement, 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.