



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

2019
FIRST QUARTERLY
REPORT

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	56,510	44,455
Cost of services		(46,822)	(34,547)
Gross profit		9,688	9,908
Other income		36	79
Impairment losses		(75)	—
Administrative expenses		(4,052)	(3,374)
Listing expenses		—	(7,126)
Finance costs		(159)	(259)
Profit (loss) before tax	4	5,438	(772)
Income tax expense	5	(1,172)	(791)
Profit (loss) for the period		4,266	(1,563)
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		158	(70)
Total comprehensive income (expense) for the period		4,424	(1,633)
Basic earnings (loss) per share (HK cents)	7	0.74	(0.32)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2019

	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 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
For the three months ended 31 March 2018							
At 1 January 2018 as originally presented	8	12	(157)	11,676	(12,941)	23,099	21,697
Adjustments due to application of HKFRS 9 and HKFRS 15	—	—	—	—	—	2,570	2,570
At 1 January 2018 (Restated)	8	12	(157)	11,676	(12,941)	25,669	24,267
Loss for the period	—	—	—	—	—	(1,563)	(1,563)
Exchange differences arising on translation of a foreign operation	—	—	(70)	—	—	—	(70)
Total comprehensive expense for the period	—	—	(70)	—	—	(1,563)	(1,633)
Capitalisation issue of shares	4,297	(4,297)	—	—	—	—	—
Issue of shares by public offering and placing	1,435	53,095	—	—	—	—	54,530
Costs incurred in connection with issue of shares of the Company	—	(7,663)	—	—	—	—	(7,663)
At 31 March 2018 (Unaudited)	5,740	41,147	(227)	11,676	(12,941)	24,106	69,501

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL

The Company was incorporated under the name of 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 GEM of the Stock Exchange on 27 February 2018. The address of the Company's registered office is PO Box 309, Uglund 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. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the Relevant Period (the "**First Quarterly Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Besides, the First Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The First Quarterly Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company. The First Quarterly Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

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

The accounting policies and methods of computation in the First Quarterly Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs that have become effective from 1 January 2019.

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 is 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. PROFIT (LOSS) BEFORE TAX

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remuneration	1,424	1,180
Other staff costs	3,812	3,150
Contributions to retirement benefits scheme, other than those of directors	135	74
Total staff costs	5,371	4,404
Auditor's remuneration	237	175
Depreciation of plant and equipment	90	16
Operating lease rentals in respect of minimum lease payments of rented premises	224	191
Net exchange loss (gain)	76	(56)

5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax:		
Hong Kong Profits Tax	1,222	—
Macau Complementary Tax	—	986
	1,222	986
Deferred tax credit	(50)	(195)
	1,172	791

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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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% on the taxable income above Macau Pataca 600,000.

No provision for Macau Complementary Tax has been made as the subsidiary in Macau incurred tax losses for the Relevant Period.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (for the three months ended 31 March 2018: nil).

7. EARNINGS (LOSS) PER SHARE

	Three months ended 31 March	
	2019 (Unaudited)	2018 (Unaudited)
Earnings (loss):		
— Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the period) (in HK\$'000)	4,266	(1,563)
Number of shares:		
— Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	574,000,000	483,116,667

The weighted average number of ordinary shares for the purpose of calculating the basic earnings (loss) per share during both periods is based on the assumption that the group reorganisation completed on 28 December 2016, the share subdivision and the capitalisation issue of 429,720,000 shares had been effective on 1 January 2018 and as adjusted for capital contributions by shareholders during both periods.

No diluted earnings (loss) per share for both periods is presented as there were no potential ordinary shares in issue during both periods.

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.

During the Relevant Period, our revenue increased by approximately HK\$12.0 million, representing an increase of approximately 27.0%. The revenue generated from our operations in Hong Kong and Macau accounted for approximately 88.5% (three months ended 31 March 2018: approximately 13.1%) and 11.5% (three months ended 31 March 2018: approximately 86.9%) of our total revenue during the Relevant Period respectively. The decrease in revenue generated from our operation in Macau is principally due to the decrease in the amount of our works recognised for existing projects in Macau as compared with the corresponding period.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the infrastructural, commercial and residential buildings in Hong Kong and Macau as well as factors affecting the labour costs and material costs. The Group is of the view that the number of infrastructural, commercial and residential buildings to be built and maintained in Hong Kong and Macau is the key driver for the growth of the MVAC installation industry.

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 business strategies as set out in the prospectus of the Company dated 12 February 2018 (the "**Prospectus**").

Financial Review

Revenue

Our revenue increased from approximately HK\$44.5 million for the three months ended 31 March 2018 to approximately HK\$56.5 million for the Relevant Period, representing an increase of approximately 27.0%. The increase was principally due to (i) the revenue of approximately HK\$30.9 million from new projects in particular two new projects located at Chek Lap Kok and Shatin, respectively, and (ii) the increase in the revenue of approximately HK\$18.7 million due to the increase in the amount of our works under existing projects awarded to us as compared with the three months ended 31 March 2018, in particular, the projects located at Pokfulam and Tseung Kwan O which contributed approximately HK\$15.4 million of the increase. The above increase was partially offset by the decrease in the revenue of approximately HK\$37.6 million due to the decrease in the amount of our works for existing projects recognised during the Relevant Period, in particular, for the two projects located at Kai Tak and Taipa in Macau as compared with the three months ended 31 March 2018.

Cost of Services

Our cost of services increased from approximately HK\$34.5 million for the three months ended 31 March 2018 to approximately HK\$46.8 million for the Relevant Period, representing an increase of approximately 35.7%. Such increase was primarily attributable to the increase in our subcontracting charges and material costs with the increase in number of projects undertaken by the Group during the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 2.0% from approximately HK\$9.9 million for the three months ended 31 March 2018 to approximately HK\$9.7 million for the Relevant Period. The extent of decrease in our gross profit was lower than the extent of increase in our revenue due to our decreased gross profit margin from approximately 22.3% for the three months ended 31 March 2018 to approximately 17.1% for the Relevant Period. The decrease in our gross profit margin was principally resulted from the decrease in the amount of our works in project located at Taipa in Macau (which contributed 86.9% of our total revenue for the three months ended 31 March 2018 and recorded a relatively higher gross profit margin for the three months ended 31 March 2018).

Listing Expenses

During the three months ended 31 March 2018, our Group recognised non-recurring listing expenses of approximately HK\$7.1 million as expenses in connection with the listing of shares of the Company (the “**Shares**”) on GEM of the Stock Exchange (the “**Listing**”) in February 2018.

Administrative Expenses

Our administrative expenses increased by approximately HK\$0.7 million, or approximately 20.6%, from approximately HK\$3.4 million for the three months ended 31 March 2018 to approximately HK\$4.1 million for the Relevant Period, mainly attributable to the increase in the staff costs such as the Directors’ remuneration and the professional fees for compliance purposes following the Listing.

Income Tax Expense

Income tax expense for the Group increased by approximately 50.0% from approximately HK\$0.8 million for the three months ended 31 March 2018 to approximately HK\$1.2 million for the Relevant Period. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses, e.g. the listing expenses and non-chargeable other income items.

Profit (Loss) for the Period

As a result of the foregoing, our Group recognised a profit of approximately of HK\$4.3 million for the Relevant Period as compared with a loss of approximately HK\$1.6 million for the three months ended 31 March 2018. Excluding the one-off exceptional expenses for the Listing of the Company, our adjusted profit decreased by approximately HK\$1.3 million or 23.2% from approximately HK\$5.6 million for the three months ended 31 March 2018 to approximately HK\$4.3 million for the Relevant Period.

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the three months ended 31 March 2018: 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 2019, the interests and short positions of the Directors and chief executive of the Company in 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 Shares held/ interested in	Long/short position	Percentage of Shareholding
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 2019, 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 2019, 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 Shares held/ interested in	Long/short position	Percentage of Shareholding
Ms. Chung Mei Lin Joanne ("Ms. Chung")	Interest in controlled corporation ^(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 Botop 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 2019, 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 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 of the Company on GEM; 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 was required to be notified to the Company pursuant to Rule 6A.32 of 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, who 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 followings 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 historical revenue and profit margin may not be indicative of the future revenue and profit margin of the Group; and
- (iv) any delay or defects of the works of the supplies 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.

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

Hong Kong, 7 May 2019

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.