



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
INTERIM
REPORT

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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.*

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three and six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	53,199	57,744	109,709	102,199
Cost of services		(43,787)	(46,778)	(90,609)	(81,325)
Gross profit		9,412	10,966	19,100	20,874
Other income		74	129	110	208
Impairment gains (losses)	4	68	—	(7)	—
Administrative expenses		(4,039)	(4,117)	(8,091)	(7,491)
Listing expenses		—	—	—	(7,126)
Finance costs		(140)	(225)	(299)	(484)
Profit before tax	5	5,375	6,753	10,813	5,981
Income tax expense	6	(1,145)	(1,086)	(2,317)	(1,877)
Profit for the period		4,230	5,667	8,496	4,104
Other comprehensive income (expense) for the period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of a foreign operation		1	31	159	(39)
Total comprehensive income for the period		4,231	5,698	8,655	4,065
Basic earnings per share (HK cents)	8	0.74	0.99	1.48	0.78

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Non-current assets			
Plant and equipment		1,179	1,317
Deferred tax assets		148	782
		1,327	2,099
Current assets			
Contract assets		55,058	38,604
Trade and other receivables, deposits and prepayments	9	38,465	49,382
Pledged and restricted bank deposits	10	13,365	12,330
Bank balances and cash	10	32,291	28,183
		139,179	128,499
Current liabilities			
Contract liabilities		50	—
Trade and retention payables	11	29,020	23,657
Other payables and accrued expenses		2,514	4,783
Amounts due to related companies		4,545	4,834
Tax payable		4,499	2,802
Bank borrowing	12	9,839	13,138
		50,467	49,214
Net current assets		88,712	79,285
Total assets less current liabilities		90,039	81,384
Non-current liability			
Deferred tax liabilities		730	730
Net assets		89,309	80,654
Capital and reserves			
Share capital	13	5,740	5,740
Reserves		83,569	74,914
		89,309	80,654

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY***For the six months ended 30 June 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 six months ended 30 June 2019							
At 1 January 2019 (Audited)	5,740	41,147	(777)	11,676	(12,941)	35,809	80,654
Profit for the period	—	—	—	—	—	8,496	8,496
Exchange differences arising on translation of a foreign operation	—	—	159	—	—	—	159
Total comprehensive income for the period	—	—	159	—	—	8,496	8,655
At 30 June 2019 (Unaudited)	5,740	41,147	(618)	11,676	(12,941)	44,305	89,309
For the six months ended 30 June 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
Profit for the period	—	—	—	—	—	4,104	4,104
Exchange differences arising on translation of a foreign operation	—	—	(39)	—	—	—	(39)
Total comprehensive (expense) income for the period	—	—	(39)	—	—	4,104	4,065
Capitalisation issue of shares	4,297	(4,297)	—	—	—	—	—
Issue of shares by public offering and placing (the "Share Offer") (Note 13)	1,435	53,095	—	—	—	—	54,530
Costs incurred in connection with issue of shares of the Company	—	(7,663)	—	—	—	—	(7,663)
At 30 June 2018 (Unaudited)	5,740	41,147	(196)	11,676	(12,941)	29,773	75,199

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash from (used in) operating activities	8,655	(15,277)
Net cash used in investing activities	(1,003)	(13,549)
Net cash (used in) from financing activities	(3,598)	43,249
Net increase in cash and cash equivalents	4,054	14,423
Cash and cash equivalents at beginning of the period	28,183	17,212
Effect of foreign exchange rate changes	54	(46)
Cash and cash equivalents at end of the period, represented by bank balances and cash	32,291	31,589

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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 "**Listing Date**"). 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Relevant Period (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared on the historical cost basis and are presented in Hong Kong dollars ("**HKS**"), which is the same as the functional currency of the Company. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The preparation of the Interim Financial Statements requires the Company's management to make judgements, 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 Interim Financial Statements.

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

3. REVENUE AND SEGMENT INFORMATION

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. 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.

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from construction contracts	53,199	57,744	109,709	102,199

Geographical information

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Hong Kong	48,109	26,645	98,126	32,467
Macau	5,090	31,099	11,583	69,732
	53,199	57,744	109,709	102,199

Information about major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A	6,491	49,041	21,123	88,368
Customer B	31,041	N/A ¹	58,425	N/A ¹
Customer C	9,420	N/A ¹	20,792	N/A ¹

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

4. IMPAIRMENT (GAINS) LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Impairment (gains) losses on:				
Trade receivables	(13)	—	19	—
Contract assets	(55)	—	(12)	—
	(68)	—	7	—

5. PROFIT BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Profit before tax has been arrived at after charging (crediting):				
Directors' remuneration	1,603	1,427	3,027	2,607
Other staff costs	4,124	3,833	7,936	6,983
Contributions to retirement benefits scheme, other than those of Directors	136	92	271	166
Total staff costs	5,863	5,352	11,234	9,756
Auditor's remuneration	238	175	475	350
Depreciation of plant and equipment	89	32	179	48
Operating lease rentals in respect of minimum lease payments of rented premises	287	197	511	388
Net exchange loss (gain)	28	(16)	104	(72)

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax:				
Hong Kong Profits				
Tax	1,095	186	2,317	186
Macau				
Complementary				
Tax	—	705	—	1,691
	1,095	891	2,317	1,877
Deferred tax expense	50	195	—	—
	1,145	1,086	2,317	1,877

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 unaudited condensed 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 ("MOP") 600,000.

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

7. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (for the six months ended 30 June 2018: nil).

8. EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Earnings:				
— Earnings for the purpose of calculating basic earnings per share (profit for the period) (in HK\$'000)	4,230	5,667	8,496	4,104
Number of shares:				
— Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	574,000,000	574,000,000	574,000,000	528,809,392

The weighted average number of ordinary shares for the purpose of calculating the basic earnings 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 per share for both periods is presented as there were no potential ordinary shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade receivables	36,593	48,762
Less: Allowance for credit losses	(19)	(1,165)
	36,574	47,597
Other receivables, deposits and prepayments	1,891	1,785
	38,465	49,382

As at 30 June 2019 and 31 December 2018, trade receivables from contracts with customers amounted to HK\$36,574,000 and HK\$47,597,000 respectively.

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:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
0 to 30 days	14,475	19,630
31 to 60 days	11,267	14,140
61 to 90 days	8,998	13,210
91 to 180 days	1,214	—
Within 2 to 3 years	620	617
	36,574	47,597

10. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Pledged bank deposits	3,099	3,064
Restricted bank deposits	10,266	9,266
Bank balances and cash	32,291	28,183
	45,656	40,513
Less: Pledged and restricted bank deposits	(13,365)	(12,330)
Cash and cash equivalents	32,291	28,183

The pledged bank deposits represent deposits pledged to a bank to secure a banking facility granted to the Group with maturity within one year from the end of the reporting period and is therefore classified as a current asset. The pledged bank deposits carried interest at a fixed rate of 2.30% per annum at 30 June 2019 (31 December 2018: 2.30%).

The restricted bank deposits represent cash held at banks as security for due performance under several services contracts of MVAC system for buildings with prevailing market rate ranging from 0.25% to 0.30% per annum at 30 June 2019 (31 December 2018: 0.25% to 0.30%).

11. TRADE AND RETENTION PAYABLES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables	18,770	16,256
Retention payables <i>(Note)</i>	10,250	7,401
	29,020	23,657

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 project.

The 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, as appropriate.

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
0 to 30 days	11,805	11,907
31 to 60 days	5,782	3,355
61 to 90 days	66	2
91 to 180 days	178	33
181 days to 1 year	9	60
Over 1 year	930	899
	18,770	16,256

12. BANK BORROWING

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Bank borrowing		
Guaranteed	9,839	13,138

The carrying amounts of bank borrowing that contains a repayment on demand clause (shown under current liabilities) but repayable*:

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Within one year	6,866	6,686
Within a period of more than one year but not exceeding two years	2,973	6,452
	9,839	13,138

* The amounts due are based on schedule repayment dates set out in the loan agreement.

The bank borrowing as at 30 June 2019 and 31 December 2018 carried interest at Hong Kong Prime Rate of the bank plus 0.25%. The effective interest rate on the bank borrowing (which is also equal to contracted interest rate) is 5.375% per annum (31 December 2018: 5.375% per annum). The Group's bank borrowing is denominated in HK\$. As at 30 June 2019 and 31 December 2018, the bank borrowing was secured by corporate guarantee of HK\$20,000,000 by the Company.

13. SHARE CAPITAL

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

	Nominal value per share	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2018, 31 December 2018 and 30 June 2019	HK\$0.01	100,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2018 (Audited)	HK\$0.01	780,000	8
Capitalisation issue of shares (<i>Note a</i>)	HK\$0.01	429,720,000	4,297
Issue of shares by Share Offer (<i>Note b</i>)	HK\$0.01	143,500,000	1,435
At 31 December 2018 (Audited) and 30 June 2019 (Unaudited)	HK\$0.01	574,000,000	5,740

Notes:

- a. 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.

- b. 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 shares were listed on the Stock Exchange.

14. CONTINGENT LIABILITIES

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Indemnities issued to a bank for performance bonds in respect of construction contracts	10,266	9,266

15. PLEDGE OF ASSETS

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

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Pledged and restricted bank deposits	13,365	12,330

16. RELATED PARTY DISCLOSURES

(i) Related party transaction

The Group had entered into the following transaction with a related party during the period:

Name of related company	Relationship	Nature of transaction	Three months ended 30 June		Six months ended 30 June	
			2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Tai Tak E & M Co.	Mr. Chung Chu Sum, Mr. Chung's brother, has joint control	Sub-contracting expense from installation services of MVAC system	—	—	—	124

(ii) Indemnity provided by Mr. Chung

As at 30 June 2019, an indemnity amounting to HK\$4,870,000 (31 December 2018: HK\$4,870,000) was provided by Mr. Chung in favour of the Group in respect of a construction contract. During the year ended 31 December 2017, the customer for this construction contract declined the Group's request to release the indemnity given by Mr. Chung. The indemnity provided by Mr. Chung will be released upon completion of the whole development project.

(iii) Compensation of key management personnel

Other members of key management personnel included two employees (for the six months ended 30 June 2018: two employees) for the Relevant Period. The remuneration of Directors and these two members during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Salaries and other benefits	1,762	1,605	3,339	3,020
Contribution to retirement benefits scheme	27	26	54	48
	1,789	1,631	3,393	3,068

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\$7.5 million, representing an increase of approximately 7.3%. The revenue generated from our operations in Hong Kong and Macau accounted for approximately 89.4% (for the six months ended 30 June 2018: approximately 31.8%) and 10.6% (for the six months ended 30 June 2018: approximately 68.2%) 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 in 2018.

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\$102.2 million for the six months ended 30 June 2018 to approximately HK\$109.7 million for the Relevant Period, representing an increase of approximately 7.3%. The increase was principally due to (i) the revenue of approximately HK\$53.0 million from new projects in particular two new projects located at Repluse Bay and Shatin, respectively, and (ii) the increase in the revenue of approximately

HK\$28.5 million due to the increase in the amount of our works under existing projects awarded to us as compared with the six months ended 30 June 2018, in particular, the projects located at Chek Lap Kok and Tseung Kwan O which contributed approximately HK\$27.6 million of the increase. The above increase was partially offset by (i) the decrease in the revenue of approximately HK\$0.4 million as a result of the completion of our project in the prior period and therefore would generate no further revenue for the Relevant Period and (ii) the decrease in the revenue of approximately HK\$73.6 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 Av. do Aeroporto and Taipa in Macau as compared with the six months ended 30 June 2018.

Cost of Services

Our cost of services increased from approximately HK\$81.3 million for the six months ended 30 June 2018 to approximately HK\$90.6 million for the Relevant Period, representing an increase of approximately 11.4%. Such increase was primarily attributable to the increase in our direct labour costs and subcontracting charges 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 8.6% from approximately HK\$20.9 million for the six months ended 30 June 2018 to approximately HK\$19.1 million for the Relevant Period. The decrease in our gross profit was primarily due to our decreased gross profit margin from approximately 20.4% for the six months ended 30 June 2018 to approximately 17.4% for the Relevant Period. The decrease in our gross profit margin was principally resulted from the decrease in the amount of our works in the project located at Taipa in Macau (which contributed 48.0% of our total revenue for the six months ended 30 June 2018 and recorded a relatively higher gross profit margin for the six months ended 30 June 2018).

Listing Expenses

During the six months ended 30 June 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. No such expenses were recognised during the Relevant Period.

Administrative Expenses

Our administrative expenses increased by approximately HK\$0.6 million, or approximately 8.0%, from approximately HK\$7.5 million for the six months ended 30 June 2018 to approximately HK\$8.1 million for the Relevant Period, mainly attributable to the increase in the staff costs such as the Directors' remuneration.

Income Tax Expense

Income tax expense for the Group increased by approximately 21.1% from approximately HK\$1.9 million for the six months ended 30 June 2018 to approximately HK\$2.3 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 for the Period

As a result of the foregoing, our profit for the period increased by approximately HK\$4.4 million from approximately HK\$4.1 million for the six months ended 30 June 2018 to approximately HK\$8.5 million for the Relevant Period. Excluding the one-off exceptional expenses for the Listing of the Company, our adjusted profit decreased by approximately HK\$2.7 million or 24.1% from approximately HK\$11.2 million for the six months ended 30 June 2018 to approximately HK\$8.5 million for the Relevant Period.

Liquidity and Financial Resources

As at 30 June 2019, the Group had total assets of approximately HK\$140.5 million (31 December 2018: approximately HK\$130.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$51.2 million (31 December 2018: approximately HK\$49.9 million) and approximately HK\$89.3 million (31 December 2018: approximately HK\$80.7 million), respectively.

The total interest-bearing borrowing of the Group as at 30 June 2019 was approximately HK\$9.8 million (31 December 2018: approximately 13.1 million), and current ratio as at 30 June 2019 was approximately 2.8 times (31 December 2018: approximately 2.6 times).

The Group's borrowing and bank balances are mainly denominated in HK\$ and there was no significant exposure to foreign exchange rate fluctuations during the period.

The Group's gearing ratio, which is calculated by dividing a bank borrowing by total equity, decreased from approximately 16.3% as at 31 December 2018 to approximately 11.0% as at 30 June 2019, primarily due to the decrease in the level of bank borrowing and an increase in total equity. The decrease in the level of bank borrowing was primarily due to the partial repayment of the bank borrowing and the increase in total equity was primarily the result of recording net profit during the Relevant Period.

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 comprises only ordinary shares.

As at 30 June 2019 and 31 December 2018, the Company's issued share capital was HK\$5,740,000 divided into 574,000,000 ordinary Shares of par value of HK\$0.01 each.

Capital Commitments

As at 30 June 2019, the Group did not have any capital commitments contracted but not provided for (31 December 2018: nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this report, the Group did not have any plans for material investments or capital assets as of 30 June 2019.

Significant Investment, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Relevant Period, the Group did not make any significant investment, material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

Save as disclosed in note 14 of the notes to the unaudited condensed consolidated financial statements, as at 30 June 2019 and 31 December 2018, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group's revenue generating operations are mainly transacted in HK\$ 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 nor commit to any financial instrument to hedge its foreign exchange exposure during the Relevant Period.

Pledge of Assets

Save as disclosed in note 15 of the notes to the unaudited condensed consolidated financial statements, as at 30 June 2019 and 31 December 2018, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2019, the Group employed a total of 207 employees, 148 of them were the labour workers nominated by subcontractors. The relevant cost of employing the labour workers nominated by subcontractors was classified as subcontracting charges and the staff costs, including Directors' emoluments, of the Group were approximately HK\$11.2 million for the Relevant Period (for the six months ended 30 June 2018: approximately HK\$9.8 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 packages are 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.

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the six months ended 30 June 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 30 June 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		Percentage of Shareholding
		Shares held/ interested in	Long/short position	
Mr. Chung	Interest in controlled corporation (<i>Note</i>)	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 30 June 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 30 June 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/ Long/short interested in position	Percentage of Shareholding
Ms. Chung Mei Lin Joanne ("Ms. Chung")	Interest in controlled corporation (<i>Note</i>)	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 30 June 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 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 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.

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.

CHANGES IN INFORMATION

With effect from 1 April 2019, Mr. Chung Chi Keung and Ms. Lai Suk Fan, our executive Directors, are entitled to an annual salary and other benefits of approximately HK\$5,043,000 and HK\$1,235,000, respectively, other terms and conditions remains unchanged.

Save as disclosed above, the Company is not aware of any other change in information of the Directors which are required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules.

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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2019 is set out below:

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 2019
Acquisition of performance bond for new projects	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 30 June 2019, the Group acquired performance bond in the amount of approximately HK\$6.1 million to satisfy requirement of new projects.
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	The Group has added eleven headcounts of junior to senior level engineering staff to cope with its business development and one administrative staff in Hong Kong thereby incurring additional staff costs of approximately HK\$3.1 million and HK\$0.1 million respectively as at 30 June 2019. The Group regularly reviews the need for further recruitments to cope with the business development.

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 2019
	Sponsor project team to attend technical seminars and occupational health and safety courses	The Group has been identifying suitable technical seminars and occupational health and safety courses for project team to attend.
	Purchase building information modeling (BIM) software	The Group is in the process of selecting (BIM) software that best suits our business needs.
	Provide training to staff for the building information modeling (BIM) software	The Group has been identifying suitable (BIM) training courses for staff to attend.
Leasing of a new office and employment of additional staff in Macau	Rental for new Macau office	The Group has leased a new office located in Cotai, Macau in May 2018 and has utilised approximately HK\$0.2 million of the net proceeds from the Listing for the relevant rental expenses as at 30 June 2019.
	Payroll for newly employed administrative staff in Macau	The Group has hired one administrative staff in Macau thereby incurring additional staff cost of approximately HK\$0.2 million as at 30 June 2019.
	Purchase leasehold improvement, purchase of furniture and fixtures for new Macau office	The Group is in the process of selecting furniture and fixtures for new Macau office.

USE OF PROCEEDS

The Shares were listed on GEM on 27 February 2018. The actual net proceeds from the initial public offering of the Company (after deducting the underwriting fees and expenses related to the Listing) amounted to approximately HK\$27.2 million (based on the final offer price of HK\$0.38, being the low-end of the price range stated in the Prospectus), and is lower than the estimated net proceeds of approximately HK\$30.0 million (based on the mid-point of the price range stated in the Prospectus).

The Group adjusted the use of proceeds in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 30 June 2019, the net proceeds had been utilised as follows:

	Actual net proceeds	Amount utilised as at 30 June 2019	Balance
	HK\$ million	HK\$ million	HK\$ million
Acquisition of performance bond for new projects	7.2	6.1	1.1
Employment of additional staff and provision of relevant training	17.4	3.2	14.2
Leasing of a new office and employment of additional staff in Macau	2.4	0.4	2.0
Working capital	0.2	0.2	—
	27.2	9.9	17.3

As at 30 June 2019, unutilised proceeds of approximately HK\$17.3 million were deposited in licensed banks in Hong Kong and Macau.

The Group did not apply the net proceeds as per the planned time frame with reference to the disclosure in the Prospectus mainly due to difficulty in hiring staff with appropriate qualification and experience.

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, Chief Executive Officer
and Executive Director*

Hong Kong, 7 August 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.