



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

2023

FIRST QUARTERLY
REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Wing Fung Group Asia Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

QUARTERLY FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 (the “**Relevant Period**”), together with the comparative unaudited figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	34,111	49,390
Cost of sales	4	(31,803)	(46,620)
Gross profit		2,308	2,770
Other income, net		37	35
Reversal (Provision) of impairment losses on trade receivables and contract assets	4	67	(39)
Administrative expenses	4	(3,923)	(3,763)
Operating loss		(1,511)	(997)
Finance costs		(496)	(471)
Loss before income tax		(2,007)	(1,468)
Income tax credit	5	282	37
Loss for the period		(1,725)	(1,431)
Other comprehensive (expenses) income for the period, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
– Exchange differences on translation of a foreign operation		(57)	1
Total comprehensive expenses for the period		(1,782)	(1,430)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (HK cents per share)	7	(1.06)	(0.88)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital	Share premium	Exchange translation reserve	Capital reserve	Other reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the three months ended 31 March 2023							
Balance at 1 January 2023 (Audited)	6,490	50,549	(817)	11,676	(12,941)	46,669	101,626
Loss for the period	-	-	-	-	-	(1,725)	(1,725)
Other comprehensive expenses							
- Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	(57)	-	-	-	(57)
Total comprehensive expenses for the period	-	-	(57)	-	-	(1,725)	(1,782)
Balance at 31 March 2023 (Unaudited)	6,490	50,549	(874)	11,676	(12,941)	44,944	99,844
For the three months ended 31 March 2022							
Balance at 1 January 2022 (Audited)	6,490	50,549	(567)	11,676	(12,941)	57,868	113,075
Loss for the period	-	-	-	-	-	(1,431)	(1,431)
Other comprehensive income							
- Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	1	-	-	-	1
Total comprehensive income (expenses) for the period	-	-	1	-	-	(1,431)	(1,430)
Balance at 31 March 2022 (Unaudited)	6,490	50,549	566	11,676	(12,941)	56,437	111,645

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Unit D, 21st Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

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

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

2. BASIS OF PREPARATION

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

The preparation of the First Quarterly 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 assets, liabilities, income and expenses. Actual results may differ from these estimates.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the First Quarterly Financial Statements are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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

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

3. REVENUE

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

4. EXPENSES BY NATURE

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Costs of materials	13,342	13,352
Subcontractor costs	14,349	28,818
Employee benefit expenses		
– Directors' remuneration	1,593	1,594
– Direct labour	3,076	3,856
– Administrative staff	764	752
(Reversal) Provision of impairment losses on trade receivables	(65)	16
(Reversal) Provision of impairment losses on contract assets	(2)	23
Auditor's remuneration		
– Audit services	170	170
– Non-audit services	6	6

5. INCOME TAX CREDIT

The amount of income tax credit credited to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current income tax:		
– Hong Kong profits tax	–	–
– Macau complementary tax	365	–
	365	–
Deferred income tax	(647)	(37)
Income tax credit	(282)	(37)

(i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (for the three months ended 31 March 2022: 16.5%).

(ii) Macau Complementary Tax

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the three months ended 31 March 2022: 12%) on the taxable income above Macau Pataca 600,000 (approximately HK\$582,000) of the Group’s operations in Macau.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the Relevant Period (for the three months ended 31 March 2022: Nil).

7. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (in HK\$’000)	(1,725)	(1,431)
Weighted average number of ordinary shares in issue	162,250,000	162,250,000
Basic loss per share (HK cents per share)	(1.06)	(0.88)

Diluted loss per share is equal to the basic loss per share since the Company has no dilutive potential shares during the three months ended 31 March 2023 (for the three months ended 31 March 2022: Nil).

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.

Despite the relaxation of anti-pandemic measures and the re-opening of borders between Hong Kong, Macau and Mainland China since early 2023, the financial results of the Group for the Relevant Period was still hindered by the relatively slow recovery in the construction sector in Hong Kong and Macau, fierce competition in the industry and delay in tendering process which resulted in lower tender prices of new projects undertaken by the Group and fewer number of ongoing projects which generated revenue for the Group during the Relevant Period as compared to the corresponding period in 2022. At the same time, factors such as high material costs, a lack of labour supply and rising labour cost have also weighed on local construction industry and impacted the performance of the Group.

During the Relevant Period, the Group recorded a loss of approximately HK\$1.7 million as compared to a loss of approximately HK\$1.4 million in the corresponding period in 2022. The Group's result had been affected by the decline in our revenue, which was mainly due to a drop in number of ongoing projects undertaken by the Group which were revenue generating during the Relevant Period.

Looking ahead, the Group will continue to explore cooperation with new customers and new revenue streams, and optimise resource utilisation and efficiencies in order to maximise return to our shareholders. The financial results of the Group for the year ending 31 December 2023 will potentially be affected as a result of the aforementioned challenges and uncertainties. Nonetheless, the Group will stay vigilant by constantly reviewing its business and tendering strategies and enhancing its operational efficiency and financial performance.

Financial Review

Revenue

Our revenue decreased by approximately HK\$15.3 million, from approximately HK\$49.4 million for the three months ended 31 March 2022 to approximately HK\$34.1 million for the Relevant Period, representing a decrease of approximately 31.0%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$4.9 million from new projects (in particular a new project located at Taipa in Macau which contributed to an increase in revenue of approximately HK\$4.8 million); and (ii) an increase in revenue of approximately HK\$19.7 million due to the increase in the amount of work under our existing projects as compared with the three months ended 31 March 2022 (in particular, the two projects located at Kai Tak), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$25.4 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$14.5 million due to the decrease in the amount of work under our existing projects as compared with the three months ended 31 March 2022 (in particular, a project located at Tai Wai and another project located at Taipa in Macau together accounted for a decrease in revenue of approximately HK\$12.1 million).

Cost of Sales

Our cost of sales decreased from approximately HK\$46.6 million for the three months ended 31 March 2022 to approximately HK\$31.8 million for the Relevant Period, representing a decrease of approximately 31.8% which was in line with the decrease in revenue for the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 17.9% from approximately HK\$2.8 million for the three months ended 31 March 2022 to approximately HK\$2.3 million for the Relevant Period. The decrease was mainly driven by the result of decrease in revenue and cost of sales for the Relevant Period as discussed above.

The overall gross profit margin increased from approximately 5.6% for the three months ended 31 March 2022 to approximately 6.8% for the Relevant Period. The increase in gross profit margin was primarily attributable to increase in the contribution of revenue derived from projects in Macau (which generally enjoy a relatively higher gross profit margin as compared to projects in Hong Kong) to our total revenue from approximately 13.4% for the three months ended 31 March 2022 to approximately 23.3% for the Relevant Period.

Administrative Expenses

Our administrative expenses remained relatively stable at approximately HK\$3.9 million during the Relevant Period (for the three months ended 31 March 2022: approximately HK\$3.8 million).

Income Tax Credit

Our income tax credit increased by approximately HK\$0.2 million from approximately HK\$37,000 for the three months ended 31 March 2022 to approximately HK\$282,000 for the Relevant Period. The increase was primarily attributable to the increase in the loss before tax for the Relevant Period as compared with the corresponding period in 2022.

Loss for the Period

As a result of the foregoing, our loss increased by approximately HK\$0.3 million from approximately HK\$1.4 million for the three months ended 31 March 2022 to approximately HK\$1.7 million for the Relevant Period.

DIVIDENDS

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the three months ended 31 March 2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 March 2023 and up to the date of this report.

DISCLOSURE OF INTERESTS

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

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in shares of the Company (the "Shares"), the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Chung Chi Keung ("Mr. Chung")	Interest in controlled corporation (Note)	83,062,500	Long position	51.19%

Note: The 83,062,500 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and wholly-owned 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 the controlling shareholder of the Company.

Save as disclosed above, as at 31 March 2023, 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 the Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 31 March 2023, the following person/entity (other than the Directors and chief executive of the Company) had or was deemed to have taken an interest or short position in the Shares or underlying Shares which was 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
Wing Fung Capital Limited	Beneficial owner	83,062,500	Long position	51.19%

Save as disclosed above, as at 31 March 2023, 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 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.

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. 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.

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 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 (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. Throughout 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 C.2.1 of the CG Code.

Pursuant to code provision C.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, where applicable, the CG Code during the Relevant Period.

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 Relevant Period.

AUDIT COMMITTEE

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The management of the Company considers that the following are the principal risks and uncertainties faced by the Group:

- (i) the outbreak of any pandemic such as COVID-19 pandemic could adversely affect the Group's business operations and financial performance by potentially causing suspension of works, delay in delivery of construction materials, increase in material and logistics costs and other interruption to the operation of the Group;
- (ii) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect sustainability of our revenue streams and adversely affect the operations and financial results of the Group;
- (iii) erroneous or inaccurate estimation of project duration and the costs involved for the determination of tender price may adversely affect the profitability and financial performance of the Group;
- (iv) cost overrun, any delay or defects of the works of the suppliers and subcontractors of the Group would adversely affect its operations and financial results;

- (v) reliance on major customers for a significant portion of the Group's revenue expose the Group to credit and liquidity risks of such major customers which has impact on the Group's cash flow and financial conditions; and
- (vi) reliance on key management for the Group's operation may subject the Group to material adverse effect on business operation and profitability in case of departure of members of the key management team without timely and appropriate replacement.

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

Hong Kong, 2 May 2023

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.

This report will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least seven days from the date of its publication. This report will also be published and remained on the Company's website at www.wingfunggroup.com.