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Wing Fung Group Asia Limited

榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8526)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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.

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

INTERIM 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 six months ended 30 June 2021 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	52,605	49,928	100,766	89,735
Cost of sales	4	(47,640)	(40,403)	(89,587)	(75,117)
Gross profit		4,965	9,525	11,179	14,618
Other income, net		19	369	738	438
Impairment (losses)/gains on trade receivables and contract assets	4	(3)	(97)	159	2
Administrative expenses	4	(3,574)	(4,221)	(6,630)	(8,346)
Expenses in relation to the transfer of listing		—	(2,209)	(448)	(3,613)
Operating profit		1,407	3,367	4,998	3,099
Finance costs		(500)	(156)	(940)	(236)
Profit before income tax		907	3,211	4,058	2,863
Income tax expense	5	(93)	(919)	(753)	(1,190)
Profit for the period		814	2,292	3,305	1,673
Other comprehensive income/ (loss) 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		2	2	(44)	97
Total comprehensive income for the period		816	2,294	3,261	1,770
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (HK cents per share)	7	0.14	0.40	0.58	0.29

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Plant and equipment		700	895
Right-of-use assets		849	1,265
Deferred income tax assets		363	367
		<u>1,912</u>	<u>2,527</u>
Current assets			
Contract assets		141,090	100,566
Trade and other receivables, deposits and prepayments	8	33,872	74,595
Pledged and restricted bank deposits	9	20,332	20,212
Cash and cash equivalents	9	8,223	18,718
		<u>203,517</u>	<u>214,091</u>
Total assets		<u>205,429</u>	<u>216,618</u>
LIABILITIES			
Non-current liability			
Lease liabilities		262	536
Current liabilities			
Trade and retention payables	10	35,536	40,953
Other payables and accrued expenses		4,357	5,758
Lease liabilities		602	737
Current income tax liabilities		3,968	5,620
Bank borrowings	11	32,653	38,224
		<u>77,116</u>	<u>91,292</u>
Total liabilities		<u>77,378</u>	<u>91,828</u>
Net assets		<u>128,051</u>	<u>124,790</u>
EQUITY			
Share capital	12	5,740	5,740
Reserves		122,311	119,050
Total equity		<u>128,051</u>	<u>124,790</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2021							
At 1 January 2021 (Audited)	<u>5,740</u>	<u>41,147</u>	<u>(523)</u>	<u>11,676</u>	<u>(12,941)</u>	<u>79,691</u>	<u>124,790</u>
Profit for the period	—	—	—	—	—	3,305	3,305
Exchange differences arising on translation of a foreign operation	—	—	<u>(44)</u>	—	—	—	<u>(44)</u>
Total comprehensive (loss)/ income for the period	—	—	<u>(44)</u>	—	—	<u>3,305</u>	<u>3,261</u>
At 30 June 2021 (Unaudited)	<u>5,740</u>	<u>41,147</u>	<u>(567)</u>	<u>11,676</u>	<u>(12,941)</u>	<u>82,996</u>	<u>128,051</u>
For the six months ended 30 June 2020							
At 1 January 2020 (Audited)	<u>5,740</u>	<u>41,147</u>	<u>(618)</u>	<u>11,676</u>	<u>(12,941)</u>	<u>57,120</u>	<u>102,124</u>
Profit for the period	—	—	—	—	—	1,673	1,673
Exchange differences arising on translation of a foreign operation	—	—	<u>97</u>	—	—	—	<u>97</u>
Total comprehensive income for the period	—	—	<u>97</u>	—	—	<u>1,673</u>	<u>1,770</u>
At 30 June 2020 (Unaudited)	<u>5,740</u>	<u>41,147</u>	<u>(521)</u>	<u>11,676</u>	<u>(12,941)</u>	<u>58,793</u>	<u>103,894</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(3,471)</u>	<u>(17,337)</u>
Net cash used in investing activities	<u>(82)</u>	<u>(6,816)</u>
Net cash (used in)/generated from financing activities	<u>(6,964)</u>	<u>10,959</u>
Net decrease in cash and cash equivalents	(10,517)	(13,194)
Cash and cash equivalents at beginning of the period	<u>9,257</u>	<u>28,071</u>
Effects of exchange rate changes on cash and cash equivalents	<u>15</u>	<u>37</u>
Cash and cash equivalents at end of the period (net of bank overdrafts)	<u>(1,245)</u>	<u>14,914</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company was located at Unit 13 & 14, 9th Floor, Worldwide Industrial Centre, 43-47 Shan Mei Street, Fotan, the New Territories, Hong Kong until 31 December 2020. The new principal place of business of the Company is Unit D, 21st Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, with effect from 1 January 2021.

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

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

The Company listed its shares on GEM of the Stock Exchange on 27 February 2018.

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

2 BASIS OF PREPARATION

This Interim Financial Information of the Company have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34), *Interim Financial Reporting* issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Information have been prepared under the historical cost convention.

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the Interim Financial Information are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

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 Information.

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 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. For the purposes of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from construction contracts	<u>52,605</u>	<u>49,928</u>	<u>100,766</u>	<u>89,735</u>

The Group's revenue is recognised over time for the respective periods.

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong	45,044	27,912	90,136	53,899
Macau	<u>7,561</u>	<u>22,016</u>	<u>10,630</u>	<u>35,836</u>
	<u>52,605</u>	<u>49,928</u>	<u>100,766</u>	<u>89,735</u>

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Customer A	32,825	22,805	62,316	38,444
Customer B	9,488	6,347	18,720	13,486
Customer C	5,229	12,877	13,870	16,692
Customer D	<u>N/A¹</u>	<u>7,899</u>	<u>N/A¹</u>	<u>20,197</u>

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

4 EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs of materials	16,173	14,771	26,919	26,255
Subcontractor costs	26,333	19,816	52,530	37,271
Employee benefit expenses				
— directors' remuneration	1,236	1,603	1,748	3,206
— direct labour	4,060	3,748	8,370	7,168
— administrative staff	693	564	1,221	1,084
Impairment (gains)/losses on trade receivables	(67)	76	(281)	(44)
Impairment losses on contract assets	70	21	122	42
Auditor's remuneration				
— Audit services	275	250	550	500
— Non-audit services	17	17	34	35
	<u>17</u>	<u>17</u>	<u>34</u>	<u>35</u>

5 INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:				
— Hong Kong profits tax	(267)	516	388	544
— Macau complementary tax	361	403	361	636
— Under provision in prior years	—	—	—	10
	<u>94</u>	<u>919</u>	<u>749</u>	<u>1,190</u>
Deferred income tax	<u>(1)</u>	<u>—</u>	<u>4</u>	<u>—</u>
Income tax expense	<u>93</u>	<u>919</u>	<u>753</u>	<u>1,190</u>

(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 six months ended 30 June 2020: 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 six months ended 30 June 2020: 12%) on the taxable income above Macau Pataca (“**MOP**”) 600,000 (approximately HK\$586,000) of the Group’s operation in Macau. On 16 April 2020, the Legislative Assembly approved an additional tax incentive to reduce the 2019 complementary tax payment by MOP300,000 (approximately HK\$293,000) as a relief measure for the negative impacts of COVID-19.

6 DIVIDENDS

The Board does not recommend the payment of any dividend for the Relevant Period (for the six months ended 30 June 2020: Nil).

7 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (in HK\$’000)	<u>814</u>	<u>2,292</u>	<u>3,305</u>	<u>1,673</u>
Weighted average number of ordinary shares in issue	<u>574,000,000</u>	<u>574,000,000</u>	<u>574,000,000</u>	<u>574,000,000</u>
Basic earnings per share (HK cents per share)	<u>0.14</u>	<u>0.40</u>	<u>0.58</u>	<u>0.29</u>

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares during the six months ended 30 June 2021 and 2020.

8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Trade receivables (<i>Note i</i>)	32,257	73,723
Less: Provision for impairment loss allowance	<u>(2,153)</u>	<u>(2,435)</u>
	30,104	71,288
Other receivables and deposits	1,140	1,188
Other current assets — prepayments	<u>2,628</u>	<u>2,119</u>
	<u><u>33,872</u></u>	<u><u>74,595</u></u>

(i) Trade receivables

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 to 45 days to its customers. The following is an aging analysis of trade receivables based on valuation dates of payment certificates or reports net of provision for impairment loss allowance at the end of the reporting period:

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
0 to 30 days	15,759	30,072
31 to 60 days	1,271	22,698
61 to 90 days	1,412	891
91 to 180 days	247	1,486
181 days to 365 days	2,976	5,368
Within 1 to 2 years	<u>8,439</u>	<u>10,773</u>
	<u><u>30,104</u></u>	<u><u>71,288</u></u>

The fair value of trade receivables approximate their carrying values.

9 PLEDGED AND RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Pledged bank deposits	12,004	11,927
Restricted bank deposits	<u>8,328</u>	<u>8,285</u>
	<u>20,332</u>	<u>20,212</u>
Cash and cash equivalents	8,223	18,718
Bank overdrafts (Note 11)	<u>(9,468)</u>	<u>(9,461)</u>
	<u>(1,245)</u>	<u>9,257</u>

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (including overdrafts and performance guarantees issued by the banks) (31 December 2020: overdrafts and performance guarantees issued by the banks) 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 ranging from 0.9% to 1.55% per annum as at 30 June 2021 (31 December 2020: 1.5% to 1.55% per annum).

The restricted bank deposits represent cash held at banks as security for due performance under several service contracts of MVAC system for buildings with prevailing market interest rate ranging from 0.01% to 0.32% per annum as at 30 June 2021 (31 December 2020: 0.01% to 2.1% per annum) (Note 13).

10 TRADE AND RETENTION PAYABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables	21,434	30,359
Retention payables	<u>14,102</u>	<u>10,594</u>
	<u>35,536</u>	<u>40,953</u>

The credit period of trade payables granted by subcontractors and suppliers range 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 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
0 to 30 days	12,609	21,988
31 to 60 days	4,808	5,270
61 to 90 days	558	190
91 to 180 days	248	140
181 days to 1 year	514	98
Over 1 year	2,697	2,673
	<u>21,434</u>	<u>30,359</u>

11 BANK BORROWINGS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Secured		
— Bank borrowings	23,185	28,763
— Bank overdrafts	9,468	9,461
	<u>32,653</u>	<u>38,224</u>

The fair value of the bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The bank borrowings and overdrafts due for repayment are as follows:

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Within one year	<u>32,653</u>	<u>38,224</u>
	<u>32,653</u>	<u>38,224</u>

The bank borrowings as at 30 June 2021 carried interest at Hong Kong Prime Rate plus interest rate of 0.5% (31 December 2020: ranging from 0.25% to 0.5%). The effective interest rate on the bank borrowings (which is also equal to contracted interest rate) is 5.5% per annum (31 December 2020: ranging from 5.25% to 5.5% per annum). The bank overdrafts as at 30 June 2021 carried interest at Hong Kong Prime Rate and the effective interest rate is 5% per annum (31 December 2020: 5% per annum). The Group's bank borrowings are denominated in HK\$.

As at 30 June 2021, the bank borrowings were secured by a corporate guarantee of HK\$47,971,000 (31 December 2020: HK\$47,971,000) as issued by the Company.

12 SHARE CAPITAL

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

	Nominal value per Share	Number of shares	Total HK\$'000
Authorised:			
At 1 January 2020, 31 December 2020 and 30 June 2021	<u>HK\$0.01</u>	<u>100,000,000,000</u>	<u>1,000,000</u>
	Nominal value per Share	Number of shares	Total HK\$'000
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and 30 June 2021	<u>HK\$0.01</u>	<u>574,000,000</u>	<u>5,740</u>

13 CONTINGENCIES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Performance bonds (<i>Note a</i>)	17,336	17,343
Corporate guarantee (<i>Note b</i>)	<u>4,376</u>	<u>4,376</u>

Note a:

Balance refers to the indemnities issued to the banks for performance bonds in respect of construction contracts. In the event of non-performance, the customers might call upon the performance bonds and the Group would be liable to the banks in respect of the performance bonds provided.

Note b:

As at 30 June 2021, the Group provided corporate guarantee amounted to approximately HK\$4,376,000 (31 December 2020: HK\$4,376,000) to a customer as an indemnity for a construction contract.

14 RELATED PARTY DISCLOSURES

Key management personnel are deemed to be the members of the board of directors and senior management of the Company who have the responsibility for the planning and controlling the activities of the Group. The remuneration of directors and these two members during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Salaries and other benefits	1,520	1,851	2,313	3,691
Contribution to retirement benefits scheme	<u>23</u>	<u>27</u>	<u>47</u>	<u>54</u>
	<u>1,543</u>	<u>1,878</u>	<u>2,360</u>	<u>3,745</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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

During the Relevant Period, the Group recorded an increase in revenue for the Relevant Period as compared to the corresponding period in 2020. Despite the increase in revenue for the Relevant Period, the business environment in Hong Kong has remained weak due to uncertainties over the recovery of the economy brought by the continuous spread of the mutated COVID-19 variants, especially the Delta variant across borders and the intensifying trade tension between China and the U.S. Looking ahead, the Group holds a cautious view on the recovery of the construction sector in Hong Kong and Macau in the second half of 2021. It is expected that the Group will face challenges brought by fierce competition in securing tenders for future projects and a rising subcontracting charges and labour costs. Further, there has been no material development in the status of the Affected Project as mentioned in the announcement of the Company dated 23 July 2020 as of the date of this announcement, and the Company will make further announcement as and when appropriate.

Although the Directors remain confident in the long-term business outlook and the core competencies of the Group, the financial results of the Group in particular in the second half of 2021 may potentially be affected as a result of the aforementioned uncertainty. The Group will continue to drive sustainable growth by constantly reviewing its business and tendering strategies and enhancing its operational efficiency, with a view to creating long-term value to shareholders and investors of the Company.

Financial Review

Revenue

Our revenue increased from approximately HK\$89.7 million for the six months ended 30 June 2020 to approximately HK\$100.8 million for the Relevant Period, representing an increase of approximately 12.4%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$19.5 million from new projects (in particular two new projects located at Chek Lap Kok and Yau Ma Tei which collectively contributed to an increase in revenue of approximately HK\$17.1 million); and (ii) an increase in revenue of approximately HK\$54.6 million due to the increase in the amount of work under certain of our existing projects as compared with the six months ended 30 June 2020 (in particular, in respect of another project located at Chek Lap Kok and a project located at Kai Tak), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$15.2 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$47.8 million due to the decrease in the amount of work under certain of our existing projects as compared

with the six months ended 30 June 2020 (in particular, two projects located at Chek Lap Kok and Freguesia da Sé in Macau together accounted for a decrease in revenue of approximately HK\$44.8 million).

Cost of Sales

Our cost of sales increased from approximately HK\$75.1 million for the six months ended 30 June 2020 to approximately HK\$89.6 million for the Relevant Period, representing an increase of approximately 19.3%. Such increase was mainly attributable to the increase in our subcontracting charges and direct labour costs during the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 23.3% from approximately HK\$14.6 million for the six months ended 30 June 2020 to approximately HK\$11.2 million for the Relevant Period. The decrease was mainly driven by the result of increase in cost of sales for the Relevant Period as discussed above.

The overall gross profit margin decreased from approximately 16.3% for the six months ended 30 June 2020 to approximately 11.1% for the Relevant Period as the extent of increases in subcontracting charges and direct labour costs was greater than that of the increase in revenue for the Relevant Period mainly due to the prolonged completion of certain projects. Due to the increase of subcontracting charges and direct labour, a few projects recorded losses for the Relevant Period.

Administrative Expenses

Our administrative expenses decreased by approximately HK\$1.7 million, or approximately 20.5%, from approximately HK\$8.3 million for the six months ended 30 June 2020 to approximately HK\$6.6 million for the Relevant Period. Such decrease was mainly attributable to the decrease in the staff costs such as the Directors' remuneration.

During the Relevant Period, the Group has continued to adopt various measures including the reduction of the remuneration of the Executive Directors to strengthen its cost control to mitigate the impact of the pandemic on the Group and to maintain its competitiveness in the market as disclosed in the Company's annual results announcement dated 9 March 2021. The Company will continue to closely monitor the development of COVID-19 pandemic, the overall economic situation and the performance of the Group and will further review the remuneration policy regarding the payment of emolument to Executive Directors in order to fully recognise their contribution to the Group.

Expenses in Relation to the Transfer of Listing

The Company submitted an application for a transfer of listing from GEM to the Main Board of the Stock Exchange (the “**Proposed Transfer of Listing**”) on 14 May 2020 and the said application was renewed on 23 November 2020. Nonetheless, the Company has decided not to proceed further with the Proposed Transfer of Listing, details of which have been set out in the announcement of the Company published on 25 May 2021.

During the Relevant Period, our Group recognised non-recurring professional service fees of approximately HK\$0.4 million (for the six months ended 30 June 2020: HK\$3.6 million) in connection with the Proposed Transfer of Listing.

Income Tax Expense

Income tax expense for the Group decreased by approximately HK\$0.4 million from approximately HK\$1.2 million for the six months ended 30 June 2020 to approximately HK\$0.8 million for the Relevant Period. The decrease was mainly due to the decrease in assessable profits primarily attributable to the decrease in non-deductible expenses, such as expenses in relation to the Proposed Transfer of Listing.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately HK\$1.6 million from approximately HK\$1.7 million for the six months ended 30 June 2020 to approximately HK\$3.3 million for the Relevant Period. Excluding the one-off exceptional expenses incurred during the Relevant Period for the Proposed Transfer of Listing, our adjusted profit decreased by approximately HK\$1.5 million or 28.3% from approximately HK\$5.3 million for the six months ended 30 June 2020 to approximately HK\$3.8 million for the Relevant Period.

Liquidity and Financial Resources

As at 30 June 2021, the Group had total assets of approximately HK\$205.4 million (31 December 2020: approximately HK\$216.6 million), which is financed by total liabilities and shareholders’ equity (comprising share capital and reserves) of approximately HK\$77.4 million (31 December 2020: approximately HK\$91.8 million) and approximately HK\$128.0 million (31 December 2020: approximately HK\$124.8 million), respectively.

The total interest-bearing borrowings (including bank borrowings and bank overdrafts) of the Group decreased from approximately HK\$38.2 million as at 31 December 2020 to approximately HK\$32.7 million as at 30 June 2021 which was mainly attributable to the full repayment of the term loan and partial repayment of revolving loans. Current ratio increased from 2.3 times as at 31 December 2020 to approximately 2.6 times as at 30 June 2021.

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

The Group's gearing ratio, which is calculated by dividing the total interest-bearing borrowings and lease liabilities by total equity at the respective reporting date, decreased from approximately 31.7% as at 31 December 2020 to approximately 26.2% as at 30 June 2021, primarily due to (i) the decrease in the total interest-bearing borrowings which was due to the full repayment of the term loan and partial repayment of the revolving loans during the Relevant Period; and (ii) the increase in total equity resulting from the increase in retained earnings attributable to recording a net profit for the Relevant Period.

Capital Structure

The shares of the Company (the "Shares") were successfully listed on GEM of the Stock Exchange on 27 February 2018 (the "Listing"). Immediately upon the 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 2021 and 31 December 2020, 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 2021 and 31 December 2020, the Group did not have any capital commitments contracted but not provided for.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 12 February 2018 (the "Prospectus") and this announcement, the Group did not have any plans for material investments or capital assets as at 30 June 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Contingent Liabilities

Save as disclosed in Note 13 of the notes to the unaudited condensed consolidated financial information, as at 30 June 2021 and 31 December 2020, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group's revenue generating operations are mainly transacted in Hong Kong dollars and MOP. The Directors consider the impact of foreign exchange exposure to the Group is minimal and the Group did not engage in any derivatives agreements nor commit to any financial instrument to hedge its foreign exchange exposure during the Relevant Period.

Pledge of Assets

Save as disclosed in Note 9 of the notes to the unaudited condensed consolidated financial information, as at 30 June 2021 and 31 December 2020, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2021, the Group employed a total of 291 employees, of whom 222 were 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\$11.3 million for the Relevant Period (for the six months ended 30 June 2020: approximately HK\$11.5 million).

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

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the six months ended 30 June 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 June 2021 and up to the date of this announcement.

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, 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)	332,250,000	Long position	57.88%

Note: The 332,250,000 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 2021, 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 2021, 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”)	Interests held jointly with another person (Note)	332,250,000	Long position	57.88%
Wing Fung Capital Limited	Beneficial owner	332,250,000	Long position	57.88%

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 30 June 2021, 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.

CORPORATE GOVERNANCE PRACTICE

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

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

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

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

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

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 date of the Listing to 30 June 2021 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 2021
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	During the Relevant Period, the Group recruited 1 new junior level engineering staff. Taking into account the new recruits in 2018, 2019 and 2020, the Company has incurred staff costs of approximately HK\$14.9 million as at 30 June 2021 for all 18 new headcounts in our project team and one administrative staff recruited by the Group since the Listing.
	Sponsor project team to attend technical seminars and occupational health and safety courses	As at 30 June 2021, the Group has paid approximately HK\$7,000 to sponsor its engineering staff to attend technical seminars and occupational health and safety courses organised by third parties.
	Purchase building information modeling BIM software	As at 30 June 2021, the Group acquired BIM software in the amount of approximately HK\$36,000.

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 2021
	Provide training to staff for the BIM software	As at 30 June 2021, the Group has paid approximately HK\$18,000 to sponsor its engineering staff to attend training for BIM software.
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\$0.6 million for the relevant rental expenses as at 30 June 2021.
	Payroll for newly employed administrative staff in Macau	The Group has hired one administrative staff in Macau as at 30 June 2021, with additional staff cost of approximately HK\$0.7 million incurred.
	Purchase leasehold improvement, purchase of furniture and fixtures for the new Macau office	As at 30 June 2021, the Group has purchased furniture and fixtures in the amount of approximately HK\$0.2 million for the new Macau office.

USE OF PROCEEDS

The Shares were listed on GEM on 27 February 2018 pursuant to the initial public offering of the Company. The actual net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) amounted to approximately HK\$27.2 million.

Up to 30 June 2021, the net proceeds had been utilised as follows:

	Allocation of total net proceeds up to 31 December 2020 in the manner as stated in the Prospectus <i>HK\$ million</i>	Actual use of net proceeds up to 30 June 2021 <i>HK\$ million</i>	Unutilised net proceeds as at 30 June 2021 (the “Unutilised Proceeds”) <i>HK\$ million</i>	Expected use of the Unutilised Proceeds up to	
				31 December 2021 <i>HK\$ million</i>	30 June 2022 <i>HK\$ million</i>
Acquisition of performance bond for new projects	7.2	7.2	—	—	—
Employment of additional staff and provision of relevant training	17.4	14.9	2.5	2.5	—
Leasing of a new office and employment of additional staff in Macau	2.4	1.5	0.9	0.4	0.5
Working capital	0.2	0.2	—	—	—
Total	<u>27.2</u>	<u>23.8</u>	<u>3.4</u>	<u>2.9</u>	<u>0.5</u>

During the Relevant Period, the Group has applied the net proceeds according to the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and will continue to utilise the proceeds according to the expected timeline as set out above. In light of the uncertainty in business environment, the Company will continue to adopt a prudent approach in its recruitment policy and monitor the use of its proceeds to ensure it is able to execute its business strategies and cope with changing market conditions.

As at 30 June 2021, unutilised proceeds of approximately HK\$3.4 million were deposited in licensed banks in Hong Kong and Macau.

PRINCIPAL RISKS AND UNCERTAINTIES

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;
- (ii) 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;

- (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) the Group's historical revenue and profit margin may not be indicative of its future revenue and profit margin; and
- (v) any delay or defects of the works of the suppliers 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, 5 August 2021

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

This announcement will remain on the "Latest Listed Company Information" page of GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published and remained on the Company's website at www.wingfunggroup.com.