



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

FIRST QUARTERLY REPORT 2018

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 is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

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

For the three months ended 31 March 2018

	NOTES	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	44,455	49,850
Cost of services		(34,547)	(38,624)
Gross profit		9,908	11,226
Other income		79	80
Administrative expenses		(3,374)	(3,788)
Listing expenses		(7,126)	(4,678)
Finance costs		(259)	(4)
(Loss) profit before tax	4	(772)	2,836
Income tax expense	5	(791)	(1,240)
(Loss) profit for the period		(1,563)	1,596
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		(70)	(299)
Total comprehensive (expense) income for the period		(1,633)	1,297
Basic (loss) earnings per share (HK cents)	7	(0.32)	0.40

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2018

	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 2018							
At 1 January 2018 (Audited)	8	12	(157)	11,676	(12,941)	23,099	21,697
Loss for the period	—	—	—	—	—	(1,563)	(1,563)
Exchange differences arising on translation of a foreign operation	—	—	(70)	—	—	—	(70)
Total comprehensive expense for the period	—	—	(70)	—	—	(1,563)	(1,633)
Capitalisation issue of shares	4,297	(4,297)	—	—	—	—	—
Issue of shares by public offering	1,435	53,095	—	—	—	—	54,530
Share issuance expenses	—	(7,663)	—	—	—	—	(7,663)
At 31 March 2018 (Unaudited)	5,740	41,147	(227)	11,676	(12,941)	21,536	66,931
For the three months ended 31 March 2017							
At 1 January 2017 (Audited)	7	22,959	(121)	—	(12,941)	40,942	50,846
Profit for the period	—	—	—	—	—	1,596	1,596
Exchange differences arising on translation of a foreign operation	—	—	(299)	—	—	—	(299)
Total comprehensive (expense) income for the period	—	—	(299)	—	—	1,596	1,297
Issue of shares by the Company	1	14,999	—	—	—	—	15,000
At 31 March 2017 (Unaudited)	8	37,958	(420)	—	(12,941)	42,538	67,143

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2018

1. GENERAL

The Company was incorporated under the name Wing Fung Capital Holdings Limited as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 29 September 2016 and its shares are listed on the Stock Exchange on 27 February 2018. On 30 December 2016, the name of the Company was changed to Wing Fung Group Asia Limited. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Units 13 & 14, 9th Floor, Worldwide Industrial Centre, 43-47 Shan Mei Street, Fotan, the New Territories, Hong Kong. The Company's immediate and ultimate holding company is Wing Fung Capital Limited, a private company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of supply, installation and fitting-out services of mechanical ventilation and air-conditioning ("**MVAC**") system for buildings.

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Share(s)**") on GEM of the Stock Exchange (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 28 December 2016. Details of the Reorganisation are set out under the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 12 February 2018 (the "**Prospectus**").

2. BASIS OF PREPARATION

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

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

The accounting policies applied in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2017. The application of the new and revised HKFRSs issued by the HKICPA in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on the disclosures in the consolidated financial statements for the year ending 31 December 2018.

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

3. REVENUE

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of supply, installation, and fitting-out services of MVAC system for buildings from external customers. The Group's revenue is derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings in Hong Kong and Macau during the period.

4. (LOSS) PROFIT BEFORE TAX

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Staff costs		
Directors' remuneration	1,180	1,043
Other staff costs	3,150	3,226
Contributions to retirement benefits schemes, other than those of directors	74	77
Total staff costs	4,404	4,346
Auditor's remuneration	175	—
Depreciation of plant and equipment	16	12
Contract costs recognised as expenses	34,547	38,624
Operating lease rentals in respect of minimum lease payments of rented premises	191	224
Net exchange gain	(56)	(20)

5. INCOME TAX EXPENSE (CREDIT)

	Three months ended	
	31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax:		
Hong Kong Profits Tax	(195)	1,036
Macau Complementary Tax	986	204
	791	1,240

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

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

6. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (for the three months ended 31 March 2017: Nil).

7. (LOSS) EARNINGS PER SHARE

	Three months ended 31 March	
	2018 (Unaudited)	2017 (Unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the period) <i>(in HK\$'000)</i>	(1,563)	1,596
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	483,116,667	399,647,500

The weighted average number of ordinary shares for the purpose of calculating the basic (loss) earnings per share during the period is based on the assumption that the Reorganisation, the increase in authorised share capital and redenomination of share capital, the share subdivision and the capitalisation issue of 429,720,000 shares as explained in the section headed "History, Development and Reorganisation" in the Prospectus, had been effective on 1 January 2016 and as adjusted for capital contributions by shareholders during the period.

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

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.

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 following key business strategies: (i) further developing our business of supply, installation and fitting-out services of MVAC system by making use of additional financial resources available from the Listing, which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) further strengthening the Group's engineering department through recruiting additional qualified and experienced staff; and (iii) leasing a new office and recruiting additional administrative staff in Macau to handle the expected increasing workload in Macau in the long run.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$49.9 million for the three months ended 31 March 2017 to approximately HK\$44.5 million for the Relevant Period, representing a decrease of approximately 10.8%. The decrease was principally due to (i) the decrease in the revenue of approximately HK\$3.1 million as a result of the completion of our projects and therefore generated no further revenue for the Relevant Period in particular for the completion of the projects located at Taipa, lihas in Macau which contributed approximately HK\$3.0 million of the decrease and (ii) the decrease in the revenue of approximately HK\$35.1 million due to the decrease in the amount of our works for existing projects awarded to us in particular for the projects located at Pokfulam and Kai Tak as compared with the three months ended 31 March 2017. The above decrease was partially offset by (i) the revenue of approximately HK\$0.9 million from new projects located at Kowloon Bay and Tseung Kwan O and (ii) the increase in the revenue of approximately HK\$31.9 million due to the increase in the amount of our works under an existing project located at Taipa in Macau as compared with the three months ended 31 March 2017.

Cost of Services

Our cost of services decreased from approximately HK\$38.6 million for the three months ended 31 March 2017 to approximately HK\$34.5 million for the Relevant Period, representing a decrease of approximately 10.6%. Such decrease was mainly attributable to the decrease in number of projects undertaken by the Group during the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 11.6% from approximately HK\$11.2 million for the three months ended 31 March 2017 to approximately HK\$9.9 million for the Relevant Period. The decrease was mainly driven by the result of decrease in revenue for the Relevant Period as discussed above.

Administrative Expenses

Our administrative expenses decreased by approximately HK\$0.4 million, or approximately 10.5%, from approximately HK\$3.8 million for the three months ended 31 March 2017 to approximately HK\$3.4 million for the Relevant Period, mainly attributable to the decrease in the entertainment expenses and other general administrative expenses.

Listing Expenses

During the Relevant Period, our Group recognised non-recurring listing expenses of approximately HK\$7.1 million (for the three months ended 31 March 2017: approximately HK\$4.7 million) as expenses in connection with the Listing.

Income Tax Expense

Our income tax expenses decreased by approximately HK\$0.4 million, from approximately HK\$1.2 million for the three months ended 31 March 2017 to approximately HK\$0.8 million for the Relevant Period, which was consistent with the decrease in estimated assessable profits.

(Loss) Profit for the Period

As a result of the foregoing, our Group recognised a loss of approximately of HK\$1.6 million for the Relevant Period as compared with profit of approximately HK\$1.6 million for the three months ended 31 March 2017. Excluding the one-off exceptional expenses for the Listing of the Company, our adjusted profit decreased by approximately HK\$0.7 million or 11.1% from approximately HK\$6.3 million for the three months ended 31 March 2017 to approximately HK\$5.6 million for the Relevant Period.

DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period (for the three months ended 31 March 2017: Nil).

DISCLOSURE OF INTERESTS

(i) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of 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 Rule 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 shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Long/short position	Percentage of shareholding
Mr. Chung Chi Keung ("Mr. Chung")	Interest in controlled corporation ^(Note)	430,500,000	Long position	75%

Note: The 430,500,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and owned as to 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 the chairman and chief executive officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 31 March 2018, none of Directors nor chief executive of the Company has registered any interests and short positions in the Shares or 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 Division 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 Rule 5.46 to 5.67 of the GEM Listing Rules.

(ii) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARE OR UNDERLYING SHARE OF THE COMPANY

As at 31 March 2018, the following persons (other than the Directors and chief executive of the Company) had or deemed to taken to have 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 Division 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Long/short position	Percentage of shareholding
Wing Fung Capital Limited	Beneficial owner	430,500,000	Long position	75%
Ms. Chung Mei Lin Joanne ("Ms. Chung")	Interest of persons acting in concert <small>(Note)</small>	430,500,000	Long position	75%

Note: On 29 May 2017, Mr. Chung and Ms. Chung entered into a deed of acting in concert (the "Deed of Acting in Concert") to acknowledge and confirm, amongst other things, that they are parties acting in concert (within the meaning under the Codes on Takeovers and Mergers and Share Repurchase) in respect of Wing Fung Capital Limited, Wing Fung Engineering (H.K.) Limited and Botop Engineering (Macau) Limited since their respective incorporation. Pursuant to the arrangement under the Deed of Acting in Concert, Mr. Chung and Ms. Chung are deemed to be interested in the Shares held by each other by virtue of the SFO.

Save as disclosed above, as at 31 March 2018, 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 Shares, the Underlying Shares or Debentures of the Company” above, had notified the Company of an interest or short position in 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 Division 2 and 3 of Part XV of the SFO.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At no time during the Relevant Period was the Company or any of its associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for 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 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.

INTERESTS OF THE 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 governance standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

During the Relevant Period, the Company has adopted and complied with, where applicable, the Corporate Governance Code (“**CG Code**”) set out in Appendix 15 of the GEM Listing Rules 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 the code provision A.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chung Chi Keung is currently the chairman of the Board and the chief executive officer of the Company, responsible for formulating the overall business development strategy and planning of the Group. In view of that, Mr. Chung has been responsible for the overall management 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 is pleased to report compliance with all applicable code provisions of the CG Code during the Relevant Period.

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 associate (as defined in the GEM Listing Rules) that compete 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 for the Relevant Period.

AUDIT COMMITTEE

The Group has established the audit committee of the Company (the “**Audit Committee**”) pursuant to a resolution of the Board passed on 31 January 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or 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 three members, 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.

By order of the Board

Wing Fung Group Asia Limited

Chung Chi Keung

Chairman and Chief Executive Officer

Hong Kong, 8 May 2018