



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

2022

INTERIM 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

INTERIM FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 (the “**Relevant Period**”), together with the comparative unaudited figures for the corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	50,715	52,605	100,105	100,766
Cost of sales	4	(51,255)	(47,640)	(97,875)	(89,587)
Gross (loss) profit		(540)	4,965	2,230	11,179
Other income, net		4,037	19	4,072	738
Reversal (Provision) of impairment losses on trade receivables and contract assets	4	55	(3)	16	159
Administrative expenses	4	(4,361)	(3,574)	(8,124)	(6,630)
Expenses in relation to the transfer of listing		–	–	–	(448)
Operating (loss) profit		(809)	1,407	(1,806)	4,998
Finance costs		(432)	(500)	(903)	(940)
(Loss) Profit before income tax		(1,241)	907	(2,709)	4,058
Income tax credit (expense)	5	807	(93)	844	(753)
(Loss) Profit for the period		(434)	814	(1,865)	3,305
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		(2)	2	(1)	(44)
Total comprehensive (expenses) income for the period		(436)	816	(1,866)	3,261
			(Restated)		(Restated)
Basic and diluted (loss) earnings per share for (loss) profit attributable to the ordinary equity holders of the Company (HK cents per share)	7	(0.27)	0.57	(1.15)	2.30

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		321	505
Right-of-use assets		476	863
Deferred income tax assets		3,915	3,071
		4,712	4,439
Current assets			
Contract assets		124,375	117,361
Trade and other receivables, deposits and prepayments	8	34,384	39,546
Current income tax assets		855	853
Pledged and restricted bank deposits	9	10,270	15,258
Cash and cash equivalents	9	19,586	10,653
		189,470	183,671
Total assets		194,182	188,110
LIABILITIES			
Non-current liabilities			
Lease liabilities		32	132
		32	132
Current liabilities			
Trade and retention payables	10	39,649	41,227
Other payables and accrued expenses		4,226	6,112
Lease liabilities		460	749
Bank borrowings	11	38,606	26,815
		82,941	74,903
Total liabilities		82,973	75,035
Net assets		111,209	113,075
EQUITY			
Share capital	12	6,490	6,490
Reserves		104,719	106,585
Total equity		111,209	113,075

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash used in operating activities	(6,730)	(3,471)
Net cash generated from/(used in) investing activities	5,128	(82)
Net cash generated from/(used in) financing activities	7,674	(6,964)
Net increase/(decrease) in cash and cash equivalents	6,072	(10,517)
Cash and cash equivalents at beginning of the period	4,127	9,257
Effects of exchange rate changes on cash and cash equivalents	(2)	15
Cash and cash equivalents at end of the period (net of overdrafts)	10,197	(1,245)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 six months ended 30 June 2022							
Balance at 1 January 2022 (Audited)	6,490	50,549	(567)	11,676	(12,941)	57,868	113,075
Loss for the period	-	-	-	-	-	(1,865)	(1,865)
Other comprehensive expenses							
– Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	(1)	-	-	-	(1)
Total comprehensive loss for the period	-	-	(1)	-	-	(1,865)	(1,866)
Balance at 30 June 2022 (Unaudited)	6,490	50,549	(568)	11,676	(12,941)	56,003	111,209
For the six months ended 30 June 2021							
Balance at 1 January 2021 (Audited)	5,740	41,147	(523)	11,676	(12,941)	79,691	124,790
Profit for the period	-	-	-	-	-	3,305	3,305
Other comprehensive expenses							
– Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	(44)	-	-	-	(44)
Total comprehensive (loss) income for the period	-	-	(44)	-	-	3,305	3,261
Balance at 30 June 2021 (Unaudited)	5,740	41,147	(567)	11,676	(12,941)	82,996	128,051

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 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

The 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 (“**HKICPA**”) 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 2021.

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from construction contracts	50,715	52,605	100,105	100,766

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Hong Kong	38,375	45,044	81,147	90,136
Macau	12,340	7,561	18,958	10,630
	50,715	52,605	100,105	100,766

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Customer A	20,634	32,825	46,354	62,316
Customer B	12,818	9,488	26,207	18,720
Customer C	12,178	N/A ¹	17,700	N/A ¹
Customer D	N/A ¹	N/A ¹	N/A ¹	13,870

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Costs of materials	22,470	16,173	35,822	26,919
Subcontractor costs	24,144	26,333	52,962	52,530
Employee benefit expenses				
– directors' remuneration	1,594	1,236	3,188	1,748
– direct labour	4,055	4,060	7,911	8,370
– administrative staff	771	693	1,523	1,221
Reversal of impairment				
– losses on trade receivables	(62)	(67)	(46)	(281)
Provision of impairment				
– losses on contract assets	7	70	30	122
Auditor's remuneration				
– Audit services	170	275	340	550
– Non-audit services	5	17	11	34

5. INCOME TAX (CREDIT) 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current income tax:				
– Hong Kong profits tax	–	(267)	–	388
– Macau complementary tax	–	361	–	361
	–	94	–	749
Deferred income tax	(807)	(1)	(844)	4
Income tax (credit) expense	(807)	93	(844)	753

(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 2021: 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 2021: 12%) on the taxable income above Macau Pataca (“MOP”) 600,000 (approximately HK\$586,000) of the Group’s operation in Macau. On 29 April 2021, the Legislative Assembly approved an additional tax incentive to reduce the 2020 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 2021: Nil).

7. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated by dividing the (loss) 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	
	2022 (Unaudited)	2021 (Restated) (Unaudited)	2022 (Unaudited)	2021 (Restated) (Unaudited)
(Loss) Profit attributable to owners of the Company (in HK\$'000)	(434)	814	(1,865)	3,305
Weighted average number of ordinary shares in issue (Note)	162,250,000	143,500,000	162,250,000	143,500,000
Basic (loss) earnings per share (HK cents per share)	(0.27)	0.57	(1.15)	2.30

Diluted (loss) earnings per share is equal to the basic (loss) earnings per share since the Company has no dilutive potential shares during the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Note: The weighted average number of ordinary shares for the six months ended 30 June 2021 has been restated to reflect the effect of the share consolidation with effect on 21 January 2022.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables (<i>Note i</i>)	28,796	38,613
Less: Provision for impairment loss allowance	(1,962)	(2,008)
	26,834	36,605
Other receivables and deposits	5,280	1,291
Prepayments	2,270	1,650
	34,384	39,546

(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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0 to 30 days	19,314	12,826
31 to 60 days	348	19,360
61 to 90 days	3,074	–
91 to 180 days	256	–
181 to 365 days	–	806
1 to 2 years	3,842	3,613
	26,834	36,605

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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Pledged bank deposits	7,037	12,028
Restricted bank deposits	3,233	3,230
	10,270	15,258
Cash and cash equivalents	19,586	10,653
Bank overdrafts (<i>Note 11</i>)	(9,389)	(6,526)
	10,197	4,127

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (including overdraft and trade facilities) with maturity within one year from the end of the reporting period and is therefore classified as a current asset. The pledged bank deposits carried interest at a fixed rate of 1.55% per annum as at 30 June 2022 (31 December 2021: ranging from 0.6% 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 0.6% per annum as at 30 June 2022 (31 December 2021: 0.01% to 0.25% per annum) (*Note 13*).

10. TRADE AND RETENTION PAYABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade payables	20,066	25,370
Retention payables	19,583	15,857
	39,649	41,227

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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0 to 30 days	11,041	15,587
31 to 60 days	5,077	5,155
61 to 90 days	1,541	1,264
91 to 180 days	–	17
181 days to 1 year	1	642
Over 1 year	2,406	2,705
	20,066	25,370

11. BANK BORROWINGS

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Secured		
– Bank borrowings	29,217	20,289
– Bank overdrafts	9,389	6,526
	38,606	26,815

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

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

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
On demand or within one year	38,606	26,815

The bank borrowings at 30 June 2022 carried interest at Hong Kong Prime Rate plus interest rate ranging from 0.25% to 0.5% (31 December 2021: ranging from 0.25% to 0.5%). The effective interest rate on the bank borrowings (which is also equal to contracted interest rate) is ranging from 5.25% to 5.5% per annum (31 December 2021: 5.25% to 5.5% per annum). The bank overdrafts at 30 June 2022 carried interest at Hong Kong Prime Rate and the effective interest rate is 5% per annum (31 December 2021: 5% per annum). The Group's bank borrowings are denominated in HK\$.

At 30 June 2022, the bank borrowings were secured by a corporate guarantee of HK\$57,971,000 as issued by the Company (31 December 2021: HK\$57,971,000).

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Within one year	37,299	22,942
1 to 2 years	1,307	3,873
	38,606	26,815

12. SHARE CAPITAL

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

	Number of shares	Total HK\$'000
Authorised:		
At 1 January 2021 and 31 December 2021, ordinary share of HK\$0.01	100,000,000,000	1,000,000
Effect of share consolidation (<i>Note a</i>)	(75,000,000,000)	–
At 30 June 2022, ordinary share of HK\$0.04	25,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2021, ordinary share of HK\$0.01	574,000,000	5,740
Issue of shares (<i>Note b</i>)	75,000,000	750
At 31 December 2021, ordinary share of HK\$0.01	649,000,000	6,490
Effect of share consolidation (<i>Note a</i>)	(486,750,000)	–
At 30 June 2022, ordinary share of HK\$0.04	162,250,000	6,490

Note a:

On 21 January 2022, every four issued and unissued existing shares of the Company of par value HK\$0.01 each were consolidated into one (1) consolidated share of par value HK\$0.04 each.

Note b:

On 19 November 2021, the Company issued 75,000,000 ordinary shares by way of placing (the "Placing"), at a placing price of HK\$0.144 per share. The net proceeds from the Placing after deducting of related expenses were HK\$10,152,000 and were used as additional general working capital. These shares rank pari passu with all existing shares in all respects.

13. CONTINGENCIES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Performance bonds (<i>Note a</i>)	3,729	12,254
Corporate guarantee (<i>Note b</i>)	13,491	12,371

Note a:

Certain customers require the Group to procure performance bonds to be provided by a bank in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit with such bank. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank for the amount of financial losses incurred not exceeding the amount of the performance bonds. The Group will then become liable to compensate the bank accordingly. During the six months ended 30 June 2022 and the year ended 31 December 2021, no call was made on any performance bonds of the Group. Typically, the estimated consideration is not constrained for revenue recognition.

Note b:

At 30 June 2022, the Group provided corporate guarantee amounted to approximately HK\$13,491,000 (31 December 2021: HK\$12,371,000) to a customer as an indemnity for three construction contracts (31 December 2021: two). During the six months ended 30 June 2022 and the year ended 31 December 2021, no corporate guarantee was being enforced. Typically, the estimated consideration is not constrained for revenue recognition.

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Salaries and other benefits	1,882	1,520	3,764	2,313
Contribution to retirement benefits scheme	18	23	36	47
	1,900	1,543	3,800	2,360

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.

The continual effect of the COVID-19 pandemic has been negatively impacting the general economy of Hong Kong and Macau. There has been prolonged delay on tendering process for works in both public and private sectors and keen competition in the construction market. The fifth wave outbreak of the highly contagious Omicron COVID-19 variant in Hong Kong in early 2022 has prompted the Hong Kong government to impose the strictest social distancing measures since the outbreak of the pandemic and has led to supply chain disruptions and workforce shortages due to illness and preventive quarantine. All these had casted uncertainties over the already weakened market sentiment, longer-term economic outlook, and had disrupted the pace of recovery in the Hong Kong and Macau construction industry during the Relevant Period.

During the Relevant Period, the Group recorded a loss of approximately HK\$1.9 million as compared to a profit of approximately HK\$3.3 million in the corresponding period in 2021. As mentioned in the announcement of the Company dated 22 July 2022, the Group's result had been materially affected as a result of: (i) prolonged delay in completion of several projects of the Group leading to overrun of project cost; (ii) a challenging operating environment in the construction industry leading to competitive tender pricing and fewer projects with high profit margin; and (iii) an increase in the cost of raw materials resulting in a decrease in the gross profit. It is expected that the Group will continue to face challenges brought by prolonged completions of projects, delay in the tendering process, fierce competition in tenders from competitors with aggressive pricing strategies, as well as rising material costs, subcontracting charges and labour costs for the remainder of 2022. It is also anticipated that completion of the largest project the Group has on hand in terms of contract sum which is located at Kai Tak is expected to be delayed by at least nine months due to the impact of the pandemic, shortage of construction materials and labours.

Looking ahead, while a devastating fifth wave of infections has subsided, the Group holds a cautious view on the recovery of the construction sector and related industries in Hong Kong and Macau for 2022 due to the constant evolving COVID-19 pandemic situation. Prolonged uncertainties over the pandemic and stricter containment measures set to weigh on business sentiment and put pressure on the local economy and the construction industry in the near term. The financial results of the Group for the year ending 31 December 2022 may potentially be affected as a result of the aforementioned uncertainties. Nonetheless, the Group will stay vigilant and continue to drive sustainable growth 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\$0.7 million, from approximately HK\$100.8 million for the six months ended 30 June 2021 to approximately HK\$100.1 million for the Relevant Period, representing a decrease of approximately 0.7%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$6.7 million from new projects (in particular two new projects located at Tsing Yi and Wong Chuk Hang which collectively contributed to an increase in revenue of approximately HK\$6.7 million); and (ii) an increase in revenue of approximately HK\$52.7 million due to the increase in the amount of work under our existing projects as compared with the six months ended 30 June 2021 (in particular, the projects located at Kai Tak and Taipa in Macau), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$13.7 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$46.4 million due to the decrease in the amount of work under our existing projects as compared with the six months ended 30 June 2021 (in particular, another project located at Kai Tak and a project located at Chek Lap Kok together accounted for a decrease in revenue of approximately HK\$37.4 million).

Cost of Sales

Our cost of sales increased from approximately HK\$89.6 million for the six months ended 30 June 2021 to approximately HK\$97.9 million for the Relevant Period, representing an increase of approximately 9.3%. Such increase was mainly attributable to the increase in our subcontracting charges as a result of prolonged delay in completion of the Group's certain projects during the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 80.4% from approximately HK\$11.2 million for the six months ended 30 June 2021 to approximately HK\$2.2 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 11.1% for the six months ended 30 June 2021 to approximately 2.2% for the Relevant Period. The decrease in gross profit margin was primarily attributable to (i) more competitive tender prices amidst fierce market competition; and (ii) the increase in the cost of materials and the subcontracting charges that prevailed over the increase in revenue for the Relevant Period mainly due to the prolonged delay in completion of certain projects. Due to the increase in the cost of materials and the subcontracting charges, a few projects recorded cost overrun and losses for the Relevant Period.

Administrative Expenses

Our administrative expenses increased by approximately HK\$1.5 million, or approximately 22.7%, from approximately HK\$6.6 million for the six months ended 30 June 2021 to approximately HK\$8.1 million for the Relevant Period, mainly attributable to the increase in the employee benefit expenses.

Expenses in Relation to the Transfer of Listing

During the six months ended 30 June 2021, our Group recognised non-recurring professional service fees of approximately HK\$0.4 million in connection with the proposal for the transfer of listing from GEM to the Main Board of the Stock Exchange, which was discontinued in May 2021. No such expenses were recognised for the Relevant Period.

Income Tax Credit/Expense

The Group recorded income tax credit of approximately HK\$0.8 million for the Relevant Period while the Group recorded income tax expense of approximately HK\$0.8 million for the six months ended 30 June 2021. Such change was primarily attributable to the loss before tax for the Relevant Period as compared with profit before tax for the corresponding period in 2021.

Loss/Profit for the Period

As a result of the foregoing, our Group recognised a loss of approximately HK\$1.9 million for the Relevant Period as compared with a profit of approximately HK\$3.3 million for the corresponding period in 2021.

Liquidity and Financial Resources

As at 30 June 2022, the Group had total assets of approximately HK\$194.2 million (31 December 2021: approximately HK\$188.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$83.0 million (31 December 2021: approximately HK\$75.0 million) and approximately HK\$111.2 million (31 December 2021: approximately HK\$113.1 million), respectively.

The total interest-bearing borrowings (including bank borrowings and bank overdrafts) of the Group increased from approximately HK\$26.8 million as at 31 December 2021 to approximately HK\$38.6 million as at 30 June 2022. Current ratio decreased from 2.5 times as at 31 December 2021 to approximately 2.3 times as at 30 June 2022.

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, increased from approximately 24.5% as at 31 December 2021 to approximately 35.2% as at 30 June 2022, primarily due to (i) the increase in the total interest-bearing borrowings; and (ii) the decrease in total equity resulting from the decrease in retained earnings attributable to recording a net loss 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 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.

On 19 November 2021, 75,000,000 shares of par value HK\$0.01 each of the Company were issued at a price of HK\$0.144 by way of placing under general mandate (the “**Placing**”). For further information in relation to the Placing, please refer to the announcements of the Company dated 22 October 2021, 12 November 2021 and 19 November 2021.

On 3 December 2021, the Board proposed that every four (4) issued and unissued existing shares of the Company of par value HK\$0.01 each in the share capital of the Company would be consolidated into one (1) consolidated share of par value HK\$0.04 each in the share capital of the Company (the “**Share Consolidation**”).

For details of the Share Consolidation, please refer to the Company’s announcements dated 3 December 2021 and 19 January 2022 and the Company’s circular dated 30 December 2021.

As at 30 June 2022, the Company’s issued share capital was HK\$6,490,000 (31 December 2021: HK\$6,490,000) divided into 162,250,000 (31 December 2021: 649,000,000) ordinary Shares of par value of HK\$0.04 (31 December 2021: HK\$0.01) each.

Capital Commitments

As at 30 June 2022 and 31 December 2021, 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 report, the Group did not have any plans for material investments or capital assets as at 30 June 2022.

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 2022 and 31 December 2021, 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 2022 and 31 December 2021, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2022, the Group employed a total of 253 employees, of whom 187 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\$12.6 million for the Relevant Period (for the six months ended 30 June 2021: approximately HK\$11.3 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.

DIVIDENDS

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the six months ended 30 June 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 June 2022 and up to the date of this report.

SHARE CONSOLIDATION

On 3 December 2021, the Board proposed the Share Consolidation.

The Share Consolidation was approved by the Shareholders at the extraordinary general meeting of the Company on 19 January 2022 and became effective on 21 January 2022. Immediately after the Share Consolidation becoming effective on 21 January 2022, the authorised share capital of the Company has become HK\$1,000,000,000 divided into 25,000,000,000 consolidated shares of par value HK\$0.04 each, of which 162,250,000 consolidated shares would be in issue which are fully paid or credited as fully paid.

For details of the Share Consolidation, please refer to the Company's announcements dated 3 December 2021 and 19 January 2022 and the Company's circular dated 30 December 2021.

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, 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)	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 30 June 2022, 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 30 June 2022, 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 30 June 2022, 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 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 2022

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.