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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**190,486**	200,635
Cost of sales	*4*	**(145,242)**	(162,301)
Gross profit		**45,244**	38,334
Other income, net		**164**	360
Impairment losses on trade receivables and contract assets	*4*	**(1,195)**	(372)
Administrative expenses	*4*	**(17,490)**	(17,285)
Listing expenses	*4*	**—**	(7,126)
Operating profit		**26,723**	13,911
Finance costs		**(552)**	(872)
Profit before income tax		**26,171**	13,039
Income tax expense	*5*	**(4,860)**	(2,899)
Profit for the year		**21,311**	10,140
Other comprehensive income/(loss) for the year, net of tax			
Item that may be reclassified to profit or loss:			
— Exchange differences on translation of a foreign operation		**159**	(620)
Total comprehensive income for the year		**21,470**	9,520
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (HK cents per share)	*7*	**3.71**	1.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
ASSETS			
Non-current assets			
Plant and equipment		**1,177**	1,317
Right-of-use assets		**812**	—
Deferred income tax assets		**211**	782
		2,200	2,099
Current assets			
Contract assets	*8*	**29,247**	38,604
Trade and other receivables, deposits and prepayments	*9*	**67,814**	49,382
Pledged and restricted bank deposits	*10*	**13,407**	12,330
Cash and cash equivalents	*10*	**28,071**	28,183
		138,539	128,499
Total assets		**140,739**	130,598
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**730**	730
Lease liabilities		**181**	—
		911	730
Current liabilities			
Trade and retention payables	*11*	**23,180**	28,491
Other payables and accrued expenses		**3,911**	4,783
Lease liabilities		**645**	—
Current income tax liabilities		**3,517**	2,802
Bank borrowing		**6,451**	13,138
		37,704	49,214
Total liabilities		**38,615**	49,944
Net assets		**102,124**	80,654
EQUITY			
Share capital	*12*	**5,740**	5,740
Reserves		**96,384**	74,914
Total equity		**102,124**	80,654

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019

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 Units 13 & 14, 9th Floor, Worldwide Industrial Centre, 43–47 Shan Mei Street, Fotan, the New Territories, Hong Kong.

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 consolidated financial information is presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company.

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

2 BASIS OF PREPARATION

The consolidated financial information of the Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial information has been prepared under the historical cost convention. The comparative figure of amounts due to related parties have been reclassified to trade payables to conform with the current year presentation.

The preparation of consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following standards, amendments and interpretation for the first time for their annual reporting period commencing on 1 January 2019:

Amendments to Annual Improvement Project	Annual Improvements 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as disclosed in Note 2(c) for the adoption of HKFRS 16, the adoption of the above new standards, amendments and interpretation did not have any significant impact on the significant accounting policies of the Group and the presentation of this consolidated financial information.

(b) New standards, amendments to standards and revised conceptual framework that are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and revised conceptual framework have been published and are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material [1]
Amendments to HKFRS 3	Definition of a Business [1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting[1]
HKFRS 17	Insurance Contracts [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for the Group for annual periods beginning on or after 1 January 2020
2 Effective for the Group for annual periods beginning on or after 1 January 2021
3 Date to be determined

The Group will apply the above new standards, amendments and revised conceptual framework when they become effective. The Group anticipates that the application of the above new standards, amendments and revised conceptual framework have no material impact on the results and the financial position of the Group.

(c) Change in accounting policies and disclosures

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial information.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provision in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.4%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, the Group relied on its assessment made by applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease* for contracts entered into before the transition date.

(ii) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	698
Discounted using the lessee's incremental borrowing rate at the date of initial application	662
Less: Short-term leases not recognised as liabilities	(255)
Add: Adjustment as a result of a different treatment of termination option	342
Lease liabilities recognised as at 1 January 2019	749
Of which are:	
Current lease liabilities	365
Non-current lease liabilities	384
	749

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases upon the date of initial application were measured at the amount equal to the lease liabilities. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the consolidated statement of financial position on adoption of HKFRS 16

The following table shows the adjustments recognised for each individual line item as at 1 January 2019 (line items that were not affected have not been included).

Consolidated statement of financial position (extract)	**As at 31 December 2018 (As originally presented)** *HK$'000*	**Effects of the adoption of HKFRS 16** *HK$'000*	**As at 1 January 2019 (Restated)** *HK$'000*
Non-current assets			
Right-of-use assets	—	749	749
Non-current liabilities			
Lease liabilities	—	(384)	(384)
Current liabilities			
Lease liabilities	—	(365)	(365)

The adoption of HKFRS 16 has no impact on the retained profits on 1 January 2019.

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 year. 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.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue from construction contracts	**190,486**	200,635

The Group's revenue is recognised over time for the years ended 31 December 2019 and 2018.

Unsatisfied construction contracts

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 and the expected timing of recognising revenue are as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue from construction contracts to be recognised		
— Within one year	**275,053**	151,606
— More than one year	**101,218**	25,653

Geographical information

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**152,916**	91,529
Macau	**37,570**	109,106
	190,486	200,635

The following is an analysis of the carrying amounts of non-current assets, excluding deferred income tax assets, analysed by the geographical area in which the assets are located:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,031**	861
Macau	**958**	456
	1,989	1,317

Information about major customers

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**38,617**	153,960
Customer B	**98,808**	23,466
Customer C	**19,058**	N/A[1]

[1] Revenue from the customer is less than 10% of the total revenue of the Group for the prior year.

4 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Costs of materials	**38,225**	66,246
Subcontractor costs	**89,214**	79,269
Employee benefit expenses		
— directors' remuneration	**6,648**	6,425
— direct labour	**14,934**	13,906
— administrative staff	**2,767**	2,997
Impairment losses on trade receivables	**946**	259
Impairment losses on contract assets	**249**	113
Auditor's remuneration		
— Audit services	**1,000**	950
— Non-audit services	**70**	60
Depreciation of plant and equipment	**372**	219
Depreciation of right-of-use assets	**462**	—
Operating lease rentals in respect of minimum lease payments of rented premises	**668**	848
Listing expenses	**—**	7,126
Write-off of plant and equipment	**—**	20
Other expenses	**8,372**	8,646
	163,927	187,084

5 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
— Hong Kong profits tax	**2,509**	—
— Macau complementary tax	**1,777**	3,635
— Under/(over) provision in prior years	**3**	(106)
	4,289	3,529
Deferred income tax	**571**	(630)
Income tax expense	**4,860**	2,899

(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% (2018: 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% (2018: 12%) on the taxable income above Macau Pataca ("**MOP**") 600,000 (approximately HK$574,000) of the Group's operations in Macau.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	**26,171**	13,039
Tax calculated at the applicable tax rates	**3,549**	772
Expenses not deductible for tax purpose	**1,173**	2,395
Income not subject to tax	**(81)**	(72)
Under/(over) provision in prior years	**3**	(106)
Others	**216**	(90)
Income tax expense	**4,860**	2,899

6 DIVIDENDS

No dividend was declared or paid by the Company during the year ended 31 December 2019 (2018: 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 year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (in HK$'000)	**21,311**	10,140
Weighted average number of ordinary shares in issue	**574,000,000**	551,590,411
Basic earnings per share (HK cents per share)	**3.71**	1.84

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares during the years ended 31 December 2019 and 2018.

8 CONTRACT ASSETS

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Construction contracts	**29,965**	39,071
Less: Provision for impairment loss allowance	**(718)**	(467)
	29,247	38,604

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of payment certificates issued by the customers when such right of collections becomes unconditional other than the passage of time.

Movement in the allowance for doubtful debts on contract assets:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**467**	358
Exchange differences	**2**	(4)
Impairment loss allowance recognised	**249**	113
At 31 December	**718**	467

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables (Note i)	**67,939**	48,762
Less: Provision for impairment loss allowance	**(2,115)**	(1,165)
	65,824	47,597
Other receivables, deposits (Note ii)	**402**	316
Other current assets—prepayments	**1,588**	1,469
	67,814	49,382

(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 31 December	
	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**29,917**	19,630
31 to 60 days	**11,180**	14,140
61 to 90 days	**16,073**	13,210
91 to 180 days	**8,654**	—
181 days to 365 days	**—**	—
Within 1 to 2 years	**—**	—
Within 2 to 3 years	**—**	617
	65,824	47,597

The fair value of trade receivables approximate their carrying values.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
HK$	**38,470**	25,031
MOP	**27,354**	22,566
	65,824	47,597

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically. Management of the Group closely monitors the credit quality of trade receivables and considers the majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

Movement of the provision for impairment loss allowance on trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**1,165**	916
Exchange differences	**4**	(10)
Impairment loss allowance recognised	**946**	259
At 31 December	**2,115**	1,165

(ii) Other receivables, deposits and prepayments

The fair value of other receivables and deposits approximate to their carrying values.

10 PLEDGED AND RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Pledged bank deposits	**3,132**	3,064
Restricted bank deposits	**10,275**	9,266
	13,407	12,330
Cash and cash equivalents		
Bank balances and cash	**28,071**	28,183

The pledged bank deposits represent deposits pledged to a bank to secure a banking facility 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 2.0% per annum as at 31 December 2019 (2018: 2.3% 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 0.25% to 0.3% per annum as at 31 December 2019 (2018: 0.25% to 0.3% per annum).

The carrying amounts of pledged and restricted bank deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
HK$	**33,330**	28,156
MOP	**8,148**	12,357
	41,478	40,513

11 TRADE AND RETENTION PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade payables		
— Third parties	**12,609**	18,551
— Related parties	**937**	2,539
	13,546	21,090
Retention payables	**9,634**	7,401
	23,180	28,491

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 31 December	
	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**7,396**	11,907
31 to 60 days	**2,330**	3,355
61 to 90 days	**134**	2
91 to 180 days	**138**	33
181 days to 1 year	**—**	60
Over 1 year	**3,548**	5,733
	13,546	21,090

Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Due within one year	**2,378**	1,630
Due after one year	**7,256**	5,771
	9,634	7,401

The carrying amounts of trade and retention payables approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
HK$	**17,194**	20,640
MOP	**5,986**	7,851
	23,180	28,491

12 SHARE CAPITAL

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

	Nominal value per share	**Number of shares**	**Total** *HK$'000*
Authorised:			
At 1 January 2018, 31 December 2018 and 2019	HK$0.01	100,000,000,000	1,000,000

	Nominal value per share	**Number of shares**	**Total** *HK$'000*
Issued and fully paid:			
At 1 January 2018	HK$0.01	780,000	8
Capitalisation issue of shares (Note a)	HK$0.01	429,720,000	4,297
Issue of shares by public offering and placing (the "**Share Offer**") (Note b)	HK$0.01	143,500,000	1,435
At 31 December 2018 and 2019	HK$0.01	574,000,000	5,740

Notes:

a. On 27 February 2018, a total of 429,720,000 shares were allotted and issued, credited as fully paid at par, to the then sole shareholder of the Company by way of capitalisation of a sum of HK$4,297,200 standing to the credit of the share premium account of the Company. Such shares rank pari passu in all respects with the then existing issued shares of the Company.

b. On 27 February 2018, 143,500,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.38 each by way of Share Offer (comprising a public offer of 43,050,000 shares and a placing of 100,450,000 shares). Such shares rank pari passu in all respects with the then existing issued shares of the Company. On the same date, the shares were listed on the Stock Exchange.

13 CONTINGENCIES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Performance bonds (Note)	**10,275**	9,266

Note:

Balance refers to the indemnities issued to a bank 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.

14 OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for its office premises which fall due as follows:

	As at 31 December 2018
	HK$'000
Within one year	665
In the second to fifth year inclusive	33
	698

The leases as at 31 December 2018 were negotiated for terms ranging from six months to two years. None of the leases includes any contingent rentals.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, see Note 2 for details.

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 year ended 31 December 2019, the Group was awarded 12 new projects. Amongst the new projects awarded, the award of two projects with an initial contract sum exceeding HK$85 million and MOP170 million respectively marked a new business milestone in the development of the Group for being the largest contracts in terms of contract sum the Group has ever been awarded in Hong Kong and Macau respectively. In 2019, the Company had undertaken a total of 26 projects, of which 6 were approaching the end of the project cycle and 13 were completed as at 31 December 2019.

During the year ended 31 December 2019, our revenue amounted to approximately HK$190.5 million (2018: approximately HK$200.6 million), representing a decrease of approximately 5.0% year on year. Such decrease was mainly attributable to the drop in revenue generated from operations in Macau from approximately HK$109.1 million for the year ended 31 December 2018 to approximately HK$37.6 million for the year ended 31 December 2019. Nonetheless, the decrease in revenue generated from the Macau operations was offset by the increase in revenue generated from operations in Hong Kong, from approximately HK$91.5 million for the year ended 31 December 2018 to approximately HK$152.9 million for the year ended 31 December 2019, representing an increase of approximately 67.1% year on year. The decrease in revenue generated from our operations in Macau corresponded to the project cycle of our existing projects including the two projects located at Av. do Aeroporto and Taipa in Macau, and as the projects approached the end of project cycle, there were less work done and less revenue recognised in 2019 as compared to the previous year. The increase in revenue generated from our operations in Hong Kong was mainly attributable to a substantial amount of works performed for existing projects (in particular, the two projects located at Repulse Bay and Shatin) during the year ended 31 December 2019 as compared with the year ended 31 December 2018.

Looking forward, against the onset of an outbreak of coronavirus disease (the "COVID-19 outbreak") and the continuous US-China trade conflict which has dampened the local economy, the Directors anticipate that the global macro-economic conditions are likely to deteriorate in the short term. In particular, the rising labour cost, stalling of building schedule due to suspension of construction work and shortage of experienced labour caused by reduced labour mobility in light of the travel restrictions between Hong Kong, Macau and the mainland China are amongst the challenges which industry peers have faced from the first quarter of 2020. Although the Directors remain confident in the long term business outlook of Hong Kong and also the performance of the Group, the financial results of the Group in particular in the first half of 2020 may potentially be affected as a result of the adversities.

With the solid foundation of our Group's core business, the Directors believe that the Group is well positioned to compete against its competitors and will continue to strive for growth by leveraging its expertise and the experience of its management team in the MVAC system market and by maintaining stringent cost control and efficient resources management.

Financial Review

Revenue

During the year ended 31 December 2019, the Group recorded (i) an increase in revenue of approximately HK$20.8 million from new projects (in particular two new projects located at Admiralty and Chek Lap Kok); and (ii) an increase in revenue of approximately HK$103.5 million due to the increase in the amount of work under our existing projects as compared with the year ended 31 December 2018 (in particular, the projects located at Repulse Bay and Shatin which contributed to an increase in revenue of approximately HK$78.8 million). However, the aforesaid increments were offset by (i) a decrease in revenue of approximately HK$3.2 million resulting from the completion of certain projects during the year ended 31 December 2018; and (ii) a decrease in revenue of approximately HK$131.2 million due to the decrease in the amount of work under our existing projects as compared with the year ended 31 December 2018 (in particular, for the two projects located at Kowloon Bay and Taipa in Macau which contributed to a decrease in revenue of approximately HK$100.0 million). As a result, our revenue decreased from approximately HK$200.6 million for the year ended 31 December 2018 to approximately HK$190.5 million for the year ended 31 December 2019, representing a decrease of approximately 5.0%.

Cost of Services

Our cost of services decreased from approximately HK$162.3 million for the year ended 31 December 2018 to approximately HK$145.2 million for the year ended 31 December 2019, representing a decrease of approximately 10.5%. Such decrease was primarily attributable to the combined effect of the increase in our subcontracting charges of approximately HK$9.9 million, and the decrease in our materials and equipment costs of approximately HK$28.0 million for the year ended 31 December 2019.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 18.0% from approximately HK$38.3 million for the year ended 31 December 2018 to approximately HK$45.2 million for the year ended 31 December 2019. The increase in our gross profit was primarily due to our improved gross profit margin from approximately 19.1% for the year ended 31 December 2018 to approximately 23.8% for the year ended 31 December 2019. The improvement in our gross profit margin was principally attributable to the increase in the amount of our works in the project located at Shatin (which has a relatively higher gross profit margin and contributed 40.5% of our total revenue for the year ended 31 December 2019).

Listing Expenses

During the year ended 31 December 2018, our Group recognised non-recurring listing expenses of approximately HK$7.1 million in connection with the listing of shares of the Company (the "**Shares**") on GEM of the Stock Exchange in February 2018. No such expenses were recognised for the year ended 31 December 2019.

Administrative Expenses

Our administrative expenses remained relatively stable at approximately HK$17.5 million for the year ended 31 December 2019 (2018: approximately HK$17.3 million).

Income Tax Expense

Income tax expense for the Group increased by approximately 69.0% from approximately HK$2.9 million for the year ended 31 December 2018 to approximately HK$4.9 million for the year ended 31 December 2019. The increase was mainly due to the increase in profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately HK$11.2 million from approximately HK$10.1 million for the year ended 31 December 2018 to approximately HK$21.3 million for the year ended 31 December 2019. Excluding the one-off exceptional expenses incurred during the year ended 31 December 2018 for the Listing of the Company, our adjusted profit increased by approximately HK$4.0 million or 23.1% from approximately HK$17.3 million for the year ended 31 December 2018 to approximately HK$21.3 million for the year ended 31 December 2019.

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of approximately HK$140.7 million (2018: approximately HK$130.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$38.6 million (2018: approximately HK$49.9 million) and approximately HK$102.1 million (2018: approximately HK$80.7 million), respectively.

As a result of partial repayment of bank borrowing during the year, the total interest-bearing borrowing of the Group as at 31 December 2019 dropped to approximately HK$6.5 million (31 December 2018: approximately HK$13.1 million), and current ratio increased from approximately 2.6 times as at 31 December 2018 to approximately 3.7 times as at 31 December 2019.

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 year.

The Group's gearing ratio, which is calculated by dividing bank borrowing and lease liabilities by total equity at the year-end date, decreased from approximately 16.3% as at 31 December 2018 to approximately 7.1% as at 31 December 2019, primarily due to the decrease in the level of bank borrowing and the increase in total equity. The decrease in the level of bank borrowing was primarily due to the partial repayment of the bank borrowing during the year, whereas the increase in total equity was primarily the result of recording a net profit for the year ended 31 December 2019.

Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 27 February 2018. Immediately upon Listing, the total issued share capital of the Company was HK$5,740,000 divided into 574,000,000 Shares of par value of HK$0.01 each. There has been no change in the capital structure of the Group since then. The share capital of the Group comprises only ordinary shares.

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

Capital Commitments

As at 31 December 2019 and 2018, 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 31 December 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2019, 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 consolidated financial information, as at 31 December 2019 and 31 December 2018, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group's revenue generating operations are mainly transacted in 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 year ended 31 December 2019.

Pledge of Assets

Save as disclosed in Note 10 of the notes to the consolidated financial information, as at 31 December 2019 and 2018, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 31 December 2019, the Group employed a total of 170 (31 December 2018: 164) employees, of whom 116 (31 December 2018: 110) 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$24.3 million for the year ended 31 December 2019 (2018: approximately HK$23.3 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.

Events after the Reporting Period

Following the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented globally. The Group has assessed that as a result of the COVID-19 outbreak, it may have the following possible impacts to the Group:

- progress of construction projects in Hong Kong and Macau were delayed temporarily in the first quarter because of the postponement of work resumption after the Chinese New Year holiday, which may in turn affect the operating results of the Group for the first half of 2020; and

- the temporarily slowdown of business activities resulted from the COVID-19 outbreak may lead to delay in settlements from the customers and the Group may have to experience longer turnover time for recovering the trade receivables and contract assets which may increase the associated credit risks.

As at the date of this announcement, the impacts of the COVID-19 outbreak on the Group's financial performance and the macro-economic conditions as a whole remain uncertain, the Group is unable to quantify the related financial effects. The Group will continue to monitor and assess the development of the COVID-19 outbreak and evaluate its financial impact on the Group.

COMPETING INTEREST

The Directors are not aware of any business or interest of the Directors or the Controlling Shareholders (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 year ended 31 December 2019.

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 and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2019, 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 role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chung Chi Keung ("**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 the CG Code during the year ended 31 December 2019.

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 year ended 31 December 2019. The Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2019.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 is set out below:

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 31 December 2019
Acquisition of performance bond for new projects	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group	The Group was awarded 12 new projects in the year ended 31 December 2019. As at 31 December 2019, the Group acquired performance bond in the amount of approximately HK$6.1 million to satisfy requirement of new projects.
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	During the year ended 31 December 2019, the Group recruited 3 new junior to senior level engineering staff. Taking into account the new recruits in 2018, the Company has incurred staff costs of approximately HK$5.3 million as at 31 December 2019 for all 13 new headcounts in our project team and one administrative staff recruited by the Group since Listing.

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 31 December 2019
	Sponsor project team to attend technical seminars and occupational health and safety courses	As at 31 December 2019, 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 31 December 2019, the Group acquired BIM software in the amount of approximately HK$36,000.
	Provide training to staff for the BIM software	As at 31 December 2019, 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 utilized approximately HK$0.3 million for the relevant rental expenses as at 31 December 2019.
	Payroll for newly employed administrative staff in Macau	The Group has hired one administrative staff in Macau thereby incurring additional staff cost of approximately HK$0.3 million as at 31 December 2019.
	Purchase leasehold improvement, purchase of furniture and fixtures for the new Macau office	As at 31 December 2019, 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 31 December 2019, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	Amount utilised as at 31 December 2019 *HK$ million*	Balance *HK$ million*
Acquisition of performance bond for new projects	**7.2**	**6.1**	**1.1**
Employment of additional staff and provision of relevant training	**17.4**	**5.3**	**12.1**
Leasing of a new office and employment of additional staff in Macau	**2.4**	**0.8**	**1.6**
Working capital	**0.2**	**0.2**	**—**
	27.2	**12.4**	**14.8**

During the year ended 31 December 2019, 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 despite experiencing certain delay when compared to the planned timeframe. While the Group continues to look for new recruits, the Group has encountered continuous difficulty in hiring experienced project management staff with the required MVAC system services industry knowledge. The Company will continue to adopt a prudent approach in its recruitment policy and monitor the use of its proceeds for the long-term benefit and development of the Group.

The Directors will from time to time assess the Group's business objectives and use of proceeds to ensure it is able to execute its business strategies and cope with changing market conditions.

As at 31 December 2019, unutilised proceeds of approximately HK$14.8 million were deposited in licensed banks in Hong Kong and Macau.

PRINCIPAL RISKS AND UNCERTAINTIES

The management considers that the followings are the principal risks and uncertainties faced by the Group:

(i) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect the operations and financial results of the Group;

(ii) erroneous or inaccurate estimation of project duration and the costs involved when determining the tender price may adversely affect the profitability and financial performance of the Group;

(iii) the Group's historical revenue and profit margin may not be indicative of its future revenue and profit margin; and

(iv) 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.

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 year ended 31 December 2019.

DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of both years ended 31 December 2019 and 2018.

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 audited consolidated financial statements of the Group for the year ended 31 December 2019 and this announcement had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this announcement, 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 close associates had any interests in relation to the Group which are required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting ("**AGM**") for the financial year 2019 of the Company is scheduled to be held on Tuesday, 2 June 2020, the notice of the AGM together with the 2019 Annual Report will be published on the Company's website at www.wingfunggroup.com and the GEM website at www.hkgem.com and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Wednesday, 27 May 2020.

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

Hong Kong, 16 March 2020

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.