



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

2020
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.

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

INTERIM FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	49,928	53,199	89,735	109,709
Cost of sales	4	(40,403)	(43,787)	(75,117)	(90,609)
Gross profit		9,525	9,412	14,618	19,100
Other income, net		369	74	438	110
Impairment (losses)/gains on trade receivables and contract assets	4	(97)	68	2	(7)
Administrative expenses	4	(4,221)	(4,039)	(8,346)	(8,091)
Other expense		(2,209)	—	(3,613)	—
Operating profit		3,367	5,515	3,099	11,112
Finance costs		(156)	(140)	(236)	(299)
Profit before income tax		3,211	5,375	2,863	10,813
Income tax expense	5	(919)	(1,145)	(1,190)	(2,317)
Profit for the period		2,292	4,230	1,673	8,496
Other comprehensive 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	1	97	159
Total comprehensive income for the period		2,294	4,231	1,770	8,655
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company (HK cents per share)	7	0.40	0.74	0.29	1.48

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
ASSETS		
Non-current assets		
	1,022	1,177
Plant and equipment		
	493	812
Right-of-use assets		
	212	211
Deferred income tax assets		
	1,727	2,200
Current assets		
	71,160	29,247
Contract assets		
Trade and other receivables, deposits and prepayments	8	67,814
	50,702	
Pledged and restricted bank deposits	9	13,407
	20,211	
Cash and cash equivalents (excluding bank overdraft)	9	28,071
	23,523	
	165,596	138,539
Total assets	167,323	140,739
LIABILITIES		
Non-current liabilities		
	730	730
Deferred income tax liabilities		
	53	181
Lease liabilities		
	783	911
Current liabilities		
	25,963	23,180
Trade and retention payables	10	3,911
Other payables and accrued expenses		645
Lease liabilities		3,517
Current income tax liabilities		6,451
Bank borrowings	11	—
Bank overdraft		
	8,609	
	62,646	37,704
Total liabilities	63,429	38,615
Net assets	103,894	102,124
EQUITY		
	5,740	5,740
Share capital	12	96,384
Reserves		
	98,154	
Total equity	103,894	102,124

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
For the six months ended 30 June 2020							
At 1 January 2020 (Audited)	5,740	41,147	(618)	11,676	(12,941)	57,120	102,124
Profit for the period	—	—	—	—	—	1,673	1,673
Exchange differences arising on translation of a foreign operation	—	—	97	—	—	—	97
Total comprehensive income for the period	—	—	97	—	—	1,673	1,770
At 30 June 2020 (Unaudited)	5,740	41,147	(521)	11,676	(12,941)	58,793	103,894
For the six months ended 30 June 2019							
At 1 January 2019 (Audited)	5,740	41,147	(777)	11,676	(12,941)	35,809	80,654
Profit for the period	—	—	—	—	—	8,496	8,496
Exchange differences arising on translation of a foreign operation	—	—	159	—	—	—	159
Total comprehensive income for the period	—	—	159	—	—	8,496	8,655
At 30 June 2019 (Unaudited)	5,740	41,147	(618)	11,676	(12,941)	44,305	89,309

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(17,337)	8,655
Net cash used in investing activities	(6,816)	(1,003)
Net cash generated from/(used in) financing activities	10,959	(3,598)
Net (decrease)/increase in cash and cash equivalents	(13,194)	4,054
Cash and cash equivalents at beginning of the period*	28,071	28,183
Effects of exchange rate changes on cash and cash equivalents	37	54
Cash and cash equivalents at end of the period*	14,914	32,291

* Cash and cash equivalents are net of bank overdraft (HK\$8,609,000 at 30 June 2020 and Nil at 30 June 2019)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 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 "**Listing**").

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

2 BASIS OF PREPARATION

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

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the Interim Financial Information are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from construction contracts	49,928	53,199	89,735	109,709

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Hong Kong	27,912	48,109	53,899	98,126
Macau	22,016	5,090	35,836	11,583
	49,928	53,199	89,735	109,709

Information about major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Customer A	N/A ¹	6,491	N/A ¹	21,123
Customer B	6,347	31,041	13,486	58,425
Customer C	N/A ¹	9,420	N/A ¹	20,792
Customer D	12,877	N/A ¹	16,692	N/A ¹
Customer E	22,805	N/A ¹	38,444	N/A ¹
Customer F	7,899	N/A ¹	20,197	N/A ¹

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

4 EXPENSES BY NATURE

	Three months ended		Six months ended	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Costs of materials	14,771	12,371	26,255	25,626
Subcontractor costs	19,816	27,040	37,271	56,747
Employee benefit expenses				
— directors' remuneration	1,603	1,603	3,206	3,027
— direct labour	3,748	3,792	7,168	7,019
— administrative staff	564	738	1,084	1,458
Impairment losses/(gains) on trade receivables	76	(13)	(44)	19
Impairment losses/(gains) on contract assets	21	(55)	42	(12)
Auditor's remuneration				
— Audit services	250	238	500	475
— Non-audit services	17	11	35	23

5 INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax:				
— Hong Kong profits tax	516	1,095	544	2,317
— Macau complementary tax	403	—	636	—
— Under provision in prior years	—	—	10	—
	919	1,095	1,190	2,317
Deferred income tax	—	50	—	—
Income tax expense	919	1,145	1,190	2,317

(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 2019: 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 2019: 12%) on the taxable income above Macau Pataca ("MOP") 600,000 (approximately HK\$574,000) of the Group's operation in Macau.

6 DIVIDENDS

The Board does not recommend the payment of any dividend for the Relevant Period (for the six months ended 30 June 2019: Nil).

7 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (in HK\$'000)	2,292	4,230	1,673	8,496
Weighted average number of ordinary shares in issue	574,000,000	574,000,000	574,000,000	574,000,000
Basic earnings per share (HK cents per share)	0.40	0.74	0.29	1.48

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares during the six months ended 30 June 2020 and 2019.

8 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables (<i>Note i</i>)	49,964	67,939
Less: Provision for impairment loss allowance	(2,074)	(2,115)
	47,890	65,824
Other receivables, deposits	932	402
Other current assets — prepayments	1,880	1,588
	50,702	67,814

(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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0 to 30 days	15,286	29,917
31 to 60 days	—	11,180
61 to 90 days	6,250	16,073
91 to 180 days	6,950	8,654
181 days to 365 days	19,404	—
	47,890	65,824

The fair value of trade receivables approximate their carrying values.

9 PLEDGED AND RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (EXCLUDING BANK OVERDRAFT)

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Pledged bank deposits	11,927	3,132
Restricted bank deposits	8,284	10,275
	20,211	13,407
Cash and cash equivalents		
Bank balances and cash	23,523	28,071

The pledged bank deposits represent deposits pledged to the banks to secure banking facilities granted to the Group (including overdraft and performance guarantees issued by the banks) (31 December 2019: 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 ranging from 1.5% to 1.55% per annum as at 30 June 2020 (31 December 2019: 2.0% 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 2.1% per annum as at 30 June 2020 (31 December 2019: 0.25% to 0.3% per annum).

10 TRADE AND RETENTION PAYABLES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables		
— Third parties	16,525	12,609
— Related party	—	937
	16,525	13,546
Retention payables	9,438	9,634
	25,963	23,180

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 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0 to 30 days	9,403	7,396
31 to 60 days	4,142	2,330
61 to 90 days	100	134
91 to 180 days	71	138
181 days to 1 year	196	—
Over 1 year	2,613	3,548
	16,525	13,546

11 BANK BORROWINGS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Secured		
— Bank borrowings which contain a repayable on demand clause	17,951	6,451

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

The bank borrowings as at 30 June 2020 carried interest ranging from 0.25% to 0.5% above Hong Kong Prime Rate per annum (31 December 2019: 0.25% above Hong Kong Prime Rate per annum). The Group's bank borrowings are denominated in HK\$.

As at 30 June 2020, the bank borrowings were secured by a corporate guarantee of HK\$40,302,000 (31 December 2019: HK\$20,000,000) as issued by the Company.

12 SHARE CAPITAL

	Nominal value per share	Number of shares	Amount HK\$'000
Authorised:			
At 1 January 2019, 31 December 2019 and 30 June 2020	HK\$0.01	100,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 30 June 2020	HK\$0.01	574,000,000	5,740

13 CONTINGENCIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Performance bonds <i>(Note)</i>	17,343	10,275

Note:

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

14 RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Salaries and other benefits	1,851	1,762	3,691	3,339
Contribution to retirement benefits scheme	27	27	54	54
	1,878	1,789	3,745	3,393

(ii) Amount due to a related company

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Tai Tak E & M Co. (<i>Note a</i>)	—	937

As at 31 December 2019, the balance is interest-free, unsecured and approximate to its fair value.

Note:

- (a) The amount represented an amount due to Tai Tak E & M Co., a partnership in which Mr. Chung Chu Sum, Mr. Chung Chi Keung's brother, has joint control. The amount was of trade nature and had a credit term of 30 days

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 continuous outbreak of the novel coronavirus (COVID-19) has triggered unprecedented disruptions in business operations on a global scale. During the Relevant Period, the Group has suffered temporary suspension of construction works in February and March 2020 which led to a decrease in the amount of work recognised during the first quarter of 2020. Despite constructions works had resumed in April 2020 and the Group only recorded a slight decline in revenue for the three months ended 30 June 2020 as compared to the three months ended 30 June 2019, it is unclear how much longer this pandemic may last, the extent of damage it would cause to the local and global economy, and its potential impact on the operations and financial performance of the Group.

In particular, subsequent to the Relevant Period, the work of the largest project of the Group (the "**Affected Project**"), with a contract sum of over MOP 170 million, has been suspended since 31 July 2020. It is anticipated that revenue contribution of the said project in the second half of year 2020 may decline as a result of the delay in completion of the Affected Project, and may in turn have negative impact towards the financial performance of the Group for the year ending 31 December 2020. For details of the delay in the Affected Project, please refer to the announcement of the Company dated 23 July 2020.

Other than the Affected Project, the work of all other on-going projects of the Group are progressing as scheduled and the pipeline of projects of the Group remains sufficient. The Group will continue to regularly and closely monitor the progress of its on-going projects and will continue to identify suitable tender opportunities and submit tenders for potential projects to maximize the Group's profits and return to its shareholders. The Group will also observe the development of the COVID-19 outbreak and assess its impact on the operations and financial performance of the Group, and will make further announcement(s) as and when appropriate.

On the corporate development front, the Company submitted an application for a transfer of listing from GEM to the Main Board of the Stock Exchange (the **“Proposed Transfer of Listing”**) on 14 May 2020, details of which have been set out in the announcement of the Company of even date.

Looking forward, the Board remains confident in the core competencies and prospect of the Group and is committed in creating long-term value to the shareholders of the Company.

Financial Review

Revenue

As mentioned above, as a result of suspension of construction works and delays in building schedule of on-going projects of the Group due to the continuous outbreak of COVID-19 epidemic, the amount of work performed and certified, in particular during the first quarter of 2020, has decreased as compared to the corresponding period in 2019, leading to a drop in our revenue from approximately HK\$109.7 million for the six months ended 30 June 2019 to approximately HK\$89.7 million for the Relevant Period, representing a decrease of approximately 18.2%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$41.2 million from new projects (in particular two new projects located at Kai Tak and Freguesia da Sé in Macau which collectively contributed to an increase in revenue of approximately HK\$30.6 million); and (ii) an increase in revenue of approximately HK\$33.1 million due to the increase in the amount of work under our existing projects as compared with the six months ended 30 June 2019 (in particular, a project located at Chek Lap Kok and a project located at Ilhas in Macau), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$37.4 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$56.9 million due to the decrease in the amount of work under our existing projects as compared with the six months ended 30 June 2019 (in particular, a project located at Shatin and another project located at Chek Lap Kok together accounted for a decrease in revenue of approximately HK\$40.6 million).

Cost of Services

Our cost of services decreased from approximately HK\$90.6 million for the six months ended 30 June 2019 to approximately HK\$75.1 million for the Relevant Period, representing a decrease of approximately 17.1%. It was because less costs were incurred as a result of temporary suspension of on-going projects of the Group in Hong Kong and Macau in the first quarter of 2020.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 23.6% from approximately HK\$19.1 million for the six months ended 30 June 2019 to approximately HK\$14.6 million for the Relevant Period. The decrease in our gross profit was primarily due to the decrease in our gross profit margin from approximately 17.4% for the six months ended 30 June 2019 to approximately 16.3% for the Relevant Period. The decrease in our gross profit margin was principally attributable to the decrease in the amount of our works in the project located at Shatin (which has a higher gross profit margin and contributed 39.8% of our total revenue for the six months ended 30 June 2019) and the completion of the project located at Pokfulam (which has a higher gross profit margin for the six months ended 30 June 2019).

Administrative Expenses

Our administrative expenses remained relatively stable at approximately HK\$8.3 million during the Relevant Period (for the six months ended 30 June 2019: approximately HK\$8.1 million).

Other Expense

During the Relevant Period, our Group recognised non-recurring professional service fees of approximately HK\$3.6 million in connection with the Proposed Transfer of Listing. No such expense was recognised for the six months ended 30 June 2019.

Income Tax Expense

Income tax expense for the Group decreased by approximately 47.8% from approximately HK\$2.3 million for the six months ended 30 June 2019 to approximately HK\$1.2 million for the Relevant Period. The decrease was mainly due to the decrease in profit before tax.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by approximately HK\$6.8 million from approximately HK\$8.5 million for the six months ended 30 June 2019 to approximately HK\$1.7 million for the Relevant Period. Excluding the one-off exceptional expenses incurred during the Relevant Period for the Proposed Transfer of Listing, our adjusted profit decreased by approximately HK\$3.2 million or 37.7% from approximately HK\$8.5 million for the six months ended 30 June 2019 to approximately HK\$5.3 million for the Relevant Period.

Liquidity and Financial Resources

As at 30 June 2020, the Group had total assets of approximately HK\$167.3 million (31 December 2019: approximately HK\$140.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$63.4 million (31 December 2019: approximately HK\$38.6 million) and approximately HK\$103.9 million (31 December 2019: approximately HK\$102.1 million), respectively.

The total interest-bearing borrowings (including bank borrowings and bank overdraft) of the Group as at 30 June 2020 increased to approximately HK\$26.6 million (31 December 2019: approximately HK\$6.5 million), and current ratio decreased from 3.7 times as at 31 December 2019 to approximately 2.6 times as at 30 June 2020.

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 7.1% as at 31 December 2019 to approximately 26.1% as at 30 June 2020, primarily due to the increase in the total interest-bearing borrowings which was due to the drawdown of a bank borrowing and bank overdraft during 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. 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 30 June 2020 and 31 December 2019, the Company’s issued share capital was HK\$5,740,000 divided into 574,000,000 ordinary Shares of par value of HK\$0.01 each.

Capital Commitments

As at 30 June 2020 and 31 December 2019, 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 2020.

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 2020 and 31 December 2019, 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 2020 and 31 December 2019, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2020, the Group employed a total of 206 employees, of whom 144 were labour workers nominated by subcontractors. The relevant cost of employing the labour workers nominated by subcontractors was classified as subcontracting charges and the staff costs, including Directors' emoluments, of the Group were approximately HK\$11.5 million for the Relevant Period (for the six months ended 30 June 2019: approximately HK\$11.5 million).

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

DIVIDEND

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the six months ended 30 June 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the Board is not aware of any important events after the reporting period that requires disclosure.

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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		Percentage of Shareholding
		Shares held/ interested in	Long/short position	
Mr. Chung Chi Keung ("Mr. Chung")	Interest in controlled corporation (Note)	430,500,000	Long position	75%

Note: The 430,500,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and owned as to 7,887 shares representing 78.87% by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is our executive Director, Chairman and Chief Executive Officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(II) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares or Debentures

So far as the Directors are aware, as at 30 June 2020, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have taken an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/Nature of Interest	Number of the		Percentage of Shareholding
		Shares held/ interested in	Long/short position	
Ms. Chung Mei Lin Joanne ("Ms. Chung")	Interests held jointly with another person <i>(Note)</i>	430,500,000	Long position	75%
Wing Fung Capital Limited	Beneficial owner	430,500,000	Long position	75%

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

Save as disclosed above, as at 30 June 2020, 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.

PUBLIC FLOAT

Reference is made to the announcement of the Company dated 28 July 2020. As disclosed in the said announcement, the Shares held by the public had fallen below 25% of all issued Shares, being the minimum prescribed public float under Rule 11.23 of the GEM Listing Rules, during the period from 6 November 2019 to 31 March 2020.

The Company was informed by a controlling shareholder of the Company, Ms. Chung, that she purchased 300,000 and 100,000 Shares (the “**Relevant Shares**”) on 6 November 2019 and 3 February 2020 respectively. The Relevant Shares represented approximately 0.07% of all issued Shares, and taking into account the Relevant Shares and the 430,500,000 Shares held by the controlling shareholders of the Company, the Shares held by public had as a result fallen below the prescribed minimum public float. Ms. Chung had subsequently disposed of all the Relevant Shares on 30 and 31 March 2020 (the “**Disposal**”). To the best knowledge, information and belief of the Directors, following the Disposal, a total of 143,500,000 Shares, representing 25% of the total number of issued Shares were held by the public and the public float has accordingly been restored, and the Company has since been in compliance with the public float requirement under Rule 11.23 of the GEM Listing Rules.

Saved as disclosed above, based on the information that is publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules for the Relevant Period and at any time up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on the terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and all Directors confirmed that they had complied with the required standard of dealings regarding transactions during the Relevant Period. The Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Relevant Period.

INTEREST OF COMPLIANCE ADVISER

As at the date of this report, except for (i) the participation of TC Capital International Limited ("**TC Capital**") as the sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and TC Capital dated 21 April 2017, neither TC Capital nor any of its directors, employees or 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.

CORPORATE GOVERNANCE PRACTICE

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

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

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from date of the Listing to 30 June 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 2020
Acquisition of performance bond for new projects	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group	As at 30 June 2020, the allocated amount of proceeds for this business strategy has been fully utilised.
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	During the Relevant Period, the Group recruited 5 new junior to senior level engineering staff. Taking into account the new recruits in 2018 and 2019, the Company has incurred staff costs of approximately HK\$7.9 million as at 30 June 2020 for all 18 new headcounts in our project team and one administrative staff recruited by the Group since the Listing.
	Sponsor project team to attend technical seminars and occupational health and safety courses	As at 30 June 2020, the Group has paid approximately HK\$7,000 to sponsor its engineering staff to attend technical seminars and occupational health and safety courses organised by third parties.
	Purchase building information modeling BIM software	As at 30 June 2020, the Group acquired BIM software in the amount of approximately HK\$36,000.

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 2020
	Provide training to staff for the BIM software	As at 30 June 2020, the Group has paid approximately HK\$18,000 to sponsor its engineering staff to attend training for BIM software.
Leasing of a new office and employment of additional staff in Macau	Rental for new Macau office	The Group has leased a new office located in Cotai, Macau in May 2018 and has utilised approximately HK\$0.4 million for the relevant rental expenses as at 30 June 2020.
	Payroll for newly employed administrative staff in Macau	The Group has hired two administrative staff in Macau thereby incurring additional staff cost of approximately HK\$0.4 million as at 30 June 2020.
	Purchase leasehold improvement, purchase of furniture and fixtures for the new Macau office	As at 30 June 2020, the Group has purchased furniture and fixtures in the amount of approximately HK\$0.2 million for the new Macau office.

USE OF PROCEEDS

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

Up to 30 June 2020, the net proceeds had been utilised as follows:

	Actual net proceeds	Amount utilised as at 30 June 2020	Balance
	HK\$ million	HK\$ million	HK\$ million
Acquisition of performance bond for new projects	7.2	7.2	—
Employment of additional staff and provision of relevant training	17.4	7.9	9.5
Leasing of a new office and employment of additional staff in Macau	2.4	1.0	1.4
Working capital	0.2	0.2	—
	27.2	16.3	10.9

During the Relevant Period, the Group has applied the net proceeds according to the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus despite experiencing certain delay when compared to the planned timeframe. While the Group has recruited new engineering staff during the Relevant Period, the Group has encountered continuous difficulty in hiring experienced project management staff with the required qualifications and 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 30 June 2020, unutilised proceeds of approximately HK\$10.9 million were deposited in licensed banks in Hong Kong and Macau.

PRINCIPAL RISKS AND UNCERTAINTIES

Other than the potential impact of the COVID-19 pandemic on the local and global economy and the operation and financial performance of the Group as mentioned under the paragraph headed “Management Discussion and Analysis — Business Review and Outlook” above, the management considers that the following 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 supplier 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 2020

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.