



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

2021 **THIRD QUARTERLY**
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.*

QUARTERLY FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2021 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2021

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Revenue | 3 | 25,936 | 52,991 | 126,702 | 142,726 |
| Cost of sales | 4 | (48,104) | (45,569) | (137,691) | (120,686) |
| Gross (loss)/profit | | (22,168) | 7,422 | (10,989) | 22,040 |
| Other income, net | | 17 | 2,263 | 755 | 2,701 |
| Impairment gains on trade receivables and contract assets | 4 | 219 | 14 | 378 | 16 |
| Administrative expenses | 4 | (4,588) | (3,074) | (11,218) | (11,420) |
| Expenses in relation to the transfer of listing | | — | (688) | (448) | (4,301) |
| Operating (loss)/profit | | (26,520) | 5,937 | (21,522) | 9,036 |
| Finance costs | | (453) | (352) | (1,393) | (588) |
| (Loss)/profit before income tax | | (26,973) | 5,585 | (22,915) | 8,448 |
| Income tax credit/(expense) | 5 | 4,160 | (546) | 3,407 | (1,736) |
| (Loss)/profit for the period | | (22,813) | 5,039 | (19,508) | 6,712 |
| Other comprehensive (loss)/ 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 | | (1) | (2) | (45) | 95 |
| Total comprehensive (loss)/ income for the period | | (22,814) | 5,037 | (19,553) | 6,807 |
| Basic and diluted (loss)/ earnings per share for (loss)/ profit attributable to the ordinary equity holders of the Company (HK cents per share) | 7 | (3.97) | 0.88 | (3.40) | 1.17 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

| | 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 nine months ended 30 September 2021 | | | | | | | |
| At 1 January 2021 (Audited) | 5,740 | 41,147 | (523) | 11,676 | (12,941) | 79,691 | 124,790 |
| Loss for the period | — | — | — | — | — | (19,508) | (19,508) |
| Exchange differences arising on translation of a foreign operation | — | — | (45) | — | — | — | (45) |
| Total comprehensive loss for the period | — | — | (45) | — | — | (19,508) | (19,553) |
| At 30 September 2021 (Unaudited) | 5,740 | 41,147 | (568) | 11,676 | (12,941) | 60,183 | 105,237 |
| For the nine months ended 30 September 2020 | | | | | | | |
| At 1 January 2020 (Audited) | 5,740 | 41,147 | (618) | 11,676 | (12,941) | 57,120 | 102,124 |
| Profit for the period | — | — | — | — | — | 6,712 | 6,712 |
| Exchange differences arising on translation of a foreign operation | — | — | 95 | — | — | — | 95 |
| Total comprehensive income for the period | — | — | 95 | — | — | 6,712 | 6,807 |
| At 30 September 2020 (Unaudited) | 5,740 | 41,147 | (523) | 11,676 | (12,941) | 63,832 | 108,931 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 30 September 2021

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company was located at Unit 13 & 14, 9th Floor, Worldwide Industrial Centre, 43-47 Shan Mei Street, Fotan, the New Territories, Hong Kong until 31 December 2020. The new principal place of business of the Company is Unit D, 21st Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, with effect from 1 January 2021.

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

The unaudited condensed consolidated financial information for the Relevant Period (the "**Third Quarterly 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 Third Quarterly Financial Information have not been audited but have been reviewed by the audit committee of the Company.

2 BASIS OF PREPARATION

This Third Quarterly Financial Information of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The Third Quarterly Financial Information have been prepared under the historical cost convention.

The preparation of the Third Quarterly 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 HKFRSs, the accounting policies and methods of computation used in the Third Quarterly Financial Information are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the Third Quarterly Financial Information.

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

3 REVENUE

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.

4 EXPENSES BY NATURE

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Costs of materials | 12,937 | 14,902 | 39,856 | 41,157 |
| Subcontractor costs | 27,799 | 24,724 | 80,329 | 61,995 |
| Employee benefit expenses | | | | |
| — directors' remuneration | 1,594 | 513 | 3,342 | 3,719 |
| — direct labour | 3,970 | 4,196 | 12,340 | 11,364 |
| — administrative staff | 407 | 554 | 1,988 | 1,638 |
| Impairment gains on trade receivables | (176) | (35) | (457) | (79) |
| Impairment (gains)/losses on contract assets | (43) | 21 | 79 | 63 |
| Auditor's remuneration | | | | |
| — Audit services | 65 | 250 | 615 | 750 |
| — Non-audit services | 17 | 18 | 51 | 53 |
| Write-off of plant and equipment | — | 12 | — | 12 |

5 INCOME TAX (CREDIT)/EXPENSE

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---------------------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 | 2020 (Unaudited) HK\$'000 |
| Current income tax: | | | | |
| — Hong Kong profits tax | (388) | 763 | — | 1,307 |
| — Macau complementary tax | (361) | 107 | — | 743 |
| — Over provision in prior years | (383) | (324) | (383) | (314) |
| | (1,132) | 546 | (383) | 1,736 |
| Deferred income tax | (3,028) | — | (3,024) | — |
| Income tax (credit)/expense | (4,160) | 546 | (3,407) | 1,736 |

(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 nine months ended 30 September 2020: 16.5%).

(ii) Macau Complementary Tax

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the nine months ended 30 September 2020: 12%) on the taxable income above Macau Pataca (“**MOP**”) 600,000 (approximately HK\$586,000) of the Group’s operation in Macau. On 29 April 2021, the Legislative Assembly approved an additional tax incentive to reduce the 2020 complementary tax payment by MOP300,000 (approximately HK\$293,000) as a relief measure for the negative impacts of COVID-19.

6 DIVIDENDS

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

7 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| (Loss)/profit attributable to owners of the Company (in HK\$'000) | (22,813) | 5,039 | (19,508) | 6,712 |
| Weighted average number of ordinary shares in issue | 574,000,000 | 574,000,000 | 574,000,000 | 574,000,000 |
| Basic (loss)/earnings per share (HK cents per share) | (3.97) | 0.88 | (3.40) | 1.17 |

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share since the Company has no dilutive potential shares during the nine months ended 30 September 2021 and 2020.

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.

In the third quarter of 2021, there had been signs of recovery in local economy against the backdrop of economic recovery in China, U.S. and several European countries, and a relatively stable local pandemic situation. However, the sporadic COVID-19 outbreaks in Macau and other parts of China, coupled with the threat of a more infectious COVID-19 variants have continued to cast uncertainties over the longer-term economic outlook, and the rate of recovery in the Hong Kong and Macau construction industry has remained slow.

During the Relevant Period, the Group recorded a decrease in revenue as compared to the corresponding period in 2020 mainly due to a drop in number of ongoing projects undertaken by the Group which were revenue generating during the Relevant Period. This coupled with an increase in the subcontracting charges in the Relevant Period has primarily contributed to the loss suffered by the Group. It is expected that the Group will continue to face challenges brought by prolonged delay in the tendering process, fierce competition in securing tenders for future projects from competitors with aggressive pricing strategies and a rising material costs, subcontracting charges and labour costs.

Further, as disclosed in the announcement of the Company dated 15 October 2021 regarding the Affected Project as mentioned in the announcement of the Company dated 23 July 2020, it is anticipated that the Group's contract in relation to the Affected Project would likely be terminated in due course. The Company is assessing the potential financial impact that may arise in the event of termination of contract in respect of the Affected Project, and will maintain active dialogue with the customer of the Affected Project. As of the date of this report, the Company has not received any formal termination notice regarding the Affected Project and will keep the shareholders and investors of the Company informed of any material development concerning the Affected Project by way of announcement as and when appropriate.

Looking ahead, the Group holds a cautious view on the recovery of the construction sector and related industries in Hong Kong and Macau in the fourth quarter of 2021. The financial results of the Group for the year ending 2021 may potentially be affected as a result of the aforementioned uncertainties. Nonetheless, the Group will continue to drive sustainable growth by constantly reviewing its business and tendering strategies and enhancing its operational efficiency, with a view to creating long-term value to shareholders and investors of the Company.

Financial Review

Revenue

Our revenue decreased from approximately HK\$142.7 million for the nine months ended 30 September 2020 to approximately HK\$126.7 million for the Relevant Period, representing a decrease of approximately 11.2%. The decrease in our revenue during the Relevant Period as compared to the corresponding period in 2020 mainly due to a drop in number of ongoing projects undertaken by the Group which were revenue generating during the Relevant Period as a result of the continuous outbreak of COVID-19 and the weak business sentiment. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$4.2 million from new projects (in particular a new project located at Kai Tak which contributed to an increase in revenue of approximately HK\$2.9 million); and (ii) an increase in revenue of approximately HK\$78.9 million due to the increase in the amount of work under certain of our existing projects as compared with the nine months ended 30 September 2020 (in particular, in respect of a project located at Chek Lap Kok and a project located at Yau Ma Tei), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$25.8 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$73.3 million due to the decrease in the amount of work under certain of our existing projects as compared with the nine months ended 30 September 2020 (in particular, another project located at Chek Lap Kok and a project located at Freguesia da Sé in Macau together accounted for a decrease in revenue of approximately HK\$52.9 million).

Cost of Sales

Our cost of sales increased from approximately HK\$120.7 million for the nine months ended 30 September 2020 to approximately HK\$137.7 million for the Relevant Period, representing an increase of approximately 14.1%. Such increase was mainly attributable to the increase in our subcontracting charges and direct labour costs as a result of unexpected prolonged completion of the Group's certain projects during the Relevant Period.

Gross Loss/Profit and Gross Loss/Profit Margin

Gross loss of the Group was approximately HK\$11.0 million for the Relevant Period while gross profit of the Group was approximately HK\$22.0 million for the nine months ended 30 September 2020. The change was mainly driven by the combined effect of decrease in revenue and increase in cost of sales for the Relevant Period as discussed above.

The overall gross loss margin was approximately 8.7% for the Relevant Period while gross profit margin of the Group was approximately 15.4% for the nine months ended 30 September 2020 primarily attributable to (i) the combined effect of the decrease in revenue and increases in subcontracting charges and direct labour costs as mentioned above, and (ii) the decrease in revenue derived from projects in Macau which generally enjoy a relatively higher gross profit margin as compared to projects in Hong Kong for the Relevant Period. Due to the increase of subcontracting charges and direct labour, a few projects recorded losses for the Relevant Period.

Administrative Expenses

Our administrative expenses remained relatively stable at approximately HK\$11.2 million for the Relevant Period (for the nine months ended 30 September 2020: approximately HK\$11.4 million).

Expenses in Relation to the Transfer of Listing

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

During the Relevant Period, our Group recognised non-recurring professional service fees of approximately HK\$0.4 million (for the nine months ended 30 September 2020: HK\$4.3 million) in connection with the Proposed Transfer of Listing.

Income Tax Credit/Expense

The Group recorded income tax credit of approximately HK\$3.4 million for the Relevant Period while the Group recorded income tax expense of approximately HK\$1.7 million for the nine months ended 30 September 2020. Such change was primarily attributable to the loss before tax as discussed above.

Loss/Profit for the Period

As a result of the foregoing, our Group recognised a loss of approximately HK\$19.5 million for the Relevant Period as compared with a profit of approximately HK\$6.7 million for the corresponding period in 2020.

DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

Placing of 75,000,000 Placing Shares under General Mandate (the “Placing”)

On 22 October 2021, the Company and Brilliant Norton Securities Company Limited, as the placing agent (“**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 75,000,000 placing shares (the “**Placing Share(s)**”), to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.144 per Placing Share. Details of the Placing are set out in the announcement dated 22 October 2021. As of the date of this report, the conditions set out in the Placing Agreement has not been fulfilled and the completion of the Placing has not been taken place.

Change in use of proceeds from the Listing

To better adapt and cope with the current market conditions and economic environment, on 22 October 2021, the Board resolved to change the use of the unutilised net proceeds from the Listing of approximately HK\$2.0 million, which was originally allocated for the employment of additional staff and provision of relevant training and leasing of a new office and employment of additional staff in Macau, to the general working capital of the Group. Details of the change in use of proceeds from the Listing are set out in the announcement dated 22 October 2021.

Saved as disclosed above, no significant events have taken place subsequent to 30 September 2021 and up to the date of this report.

DISCLOSURE OF INTERESTS

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

As at 30 September 2021, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

| Name of Director | Capacity/ Nature of Interest | Number of the Shares held/ interested in | Long/short position | Percentage of Shareholding |
|---|---|--|------------------------|-------------------------------|
| Mr. Chung Chi Keung ("Mr. Chung") | Interest in controlled corporation (<i>Note</i>) | 332,250,000 | Long position | 57.88% |

Note: The 332,250,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and is wholly owned by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is our executive Director, Chairman and Chief Executive Officer and the controlling shareholder of the Company.

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executive of the Company had registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 September 2021, the following person/entity (other than the Directors and chief executive of the Company) had or was deemed to have taken an interest or short position in the Shares or underlying Shares which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

| Name of Shareholder | Capacity/ Nature of interest | Number of the | | Percentage of Shareholding |
|------------------------------|---------------------------------|-------------------------------|------------------------|----------------------------|
| | | Shares held/ interested in | Long/short position | |
| Wing Fung Capital Limited | Beneficial owner | 332,250,000 | Long position | 57.88% |

Save as disclosed above, as at 30 September 2021, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICE

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

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

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Company considers that the following are the principal risks and uncertainties faced by the Group:

- (i) the outbreak of any pandemic such as COVID-19 pandemic could adversely affect the Group's business operations and financial performance;
- (ii) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect the operations and financial results of the Group;
- (iii) erroneous or inaccurate estimation of project duration and the costs involved for the determination of tender price may adversely affect the profitability and financial performance of the Group;
- (iv) the Group's historical revenue and profit margin may not be indicative of its future revenue and profit margin; and
- (v) any delay or defects of the works of the suppliers and subcontractors of the Group would adversely affect its operations and financial results.

For other risks and uncertainties facing the Group, please refer to the section headed “Risks Factors” in the prospectus of the Company dated 12 February 2018.

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

Hong Kong, 4 November 2021

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.