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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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 2018, together with the comparative audited figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*3*	**200,635**	166,082
Cost of services		**(162,301)**	(133,513)
Gross profit		**38,334**	32,569
Other income		**360**	535
Impairment losses		**(372)**	—
Administrative expenses		**(17,285)**	(13,567)
Listing expenses		**(7,126)**	(11,310)
Finance costs		**(872)**	(197)
Profit before tax	*4*	**13,039**	8,030
Income tax expense	*5*	**(2,899)**	(2,819)
Profit for the year		**10,140**	5,211
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**(620)**	(36)
Total comprehensive income for the year		**9,520**	5,175
Basic earnings per share *(HK cents)*	*7*	**1.84**	1.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Plant and equipment		**1,317**	186
Deferred tax assets		**782**	—
		2,099	186
Current assets			
Contract assets	*8*	**38,604**	—
Amounts due from customers for contract works	*9*	—	10,234
Trade and other receivables, deposits and prepayments	*10*	**49,382**	40,617
Pledged and restricted bank deposits		**12,330**	5,725
Bank balances and cash		**28,183**	17,284
		128,499	73,860
Current liabilities			
Amounts due to customers for contract works	*9*	—	4,422
Trade and retention payables	*11*	**23,657**	14,554
Other payables and accrued expenses		**4,783**	5,437
Amounts due to related companies		**4,834**	5,041
Tax payable		**2,802**	3,338
Bank overdraft — secured		—	72
Bank borrowing		**13,138**	19,485
		49,214	52,349
Net current assets		**79,285**	21,511
Total assets less current liabilities		**81,384**	21,697
Non-current liability			
Deferred tax liabilities		**730**	—
Net assets		**80,654**	21,697
Capital and reserves			
Share capital	*12*	**5,740**	8
Reserves		**74,914**	21,689
		80,654	21,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standard ("**HKAS**") 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Revenue from construction contracts

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained profits at 1 January 2018.

	HK$'000
Retained profits	
Recognition of construction costs	4,422
Tax effects	(730)
Impacts at 1 January 2018	3,692

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Impacts of adopting HKFRS 15 *HK$'000*	Carrying amounts under HKFRS 15 at 1 January 2018* *HK$'000*
Contract assets	*(a), (b)*	—	30,357	30,357
Amounts due from customers for contract works	*(a)*	10,234	(10,234)	—
Trade and other receivables, deposits and prepayments	*(b)*	40,617	(20,123)	20,494
Amounts due to customers for contract works	*(a)*	(4,422)	4,422	—
Deferred tax liabilities	*(a)*	—	(730)	(730)
Retained profits		(23,099)	(3,692)	(26,791)

* The amounts in this column are before the adjustments from application of HKFRS 9.

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to the date of initial application of HKFRS 15. HK$10,234,000 and HK$4,422,000 of amounts due from/to customers for contract works were adjusted to retained profits.

(b) At the date of initial application, retention receivables of HK$20,123,000 previously included in trade and other receivables, deposits and prepayments were reclassified to contract assets.

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets) and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The paragraphs below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Upon the initial application of HKFRS 9, ECL for other financial assets at amortised cost, including pledged and restricted bank deposits, bank balances, other receivables and deposits are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$1,274,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances, including contract assets and trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Contract assets *HK$'000*	**Trade receivables** *HK$'000*
At 31 December 2017 — HKAS 39	—	—
Amounts remeasured through opening retained profits	358	916
At 1 January 2018	358	916

The following table summaries the impacts of transition to HKFRS 9 on retained profits at 1 January 2018.

	HK$'000
Retained profits	
Recognition of impairment loss	(1,274)
Tax effects	152
Impacts at 1 January 2018	(1,122)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 *HK$'000* (Audited)	**HKFRS 15** *HK$'000*	**HKFRS 9** *HK$'000*	**1 January 2018** *HK$'000* (Restated)
Contract assets	—	30,357	(358)	29,999
Amounts due from customers for contract works	10,234	(10,234)	—	—
Trade and other receivables, deposits and prepayments	40,617	(20,123)	(916)	19,578
Deferred tax assets	—	—	152	152
Amounts due to customers for contract works	(4,422)	4,422	—	—
Deferred tax liabilities	—	(730)	—	(730)
Retained profits	(23,099)	(3,692)	1,122	(25,669)

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$698,000 as disclosed in Note 13. The directors of the Company do not expect the adoption of HKFRS 16 as compared with HKAS 17 would result in significant impact on the Group's result but expected that the above operating lease arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of HK$172,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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, Mr. Chung Chi Keung ("**Mr. Chung**"), reviews the overall results and financial position of the Group as a whole prepared based on the Group's accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

A. For the year ended 31 December 2018

	HK$'000
Revenue from construction contracts	200,635

Disaggregation of revenue from contracts with customers

Sales channel

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

	2018 *HK$'000*
Private sector	**191,249**
Public sector	**9,386**
	200,635

Performance obligations for contracts with customers

Construction contracts

The Group provides supply, installation, and fitting-out services of MVAC systems for buildings to external customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue for these construction works is therefore recognised over time using output method, i.e. based on surveys of the relevant services completed by the Group to date with reference to payment certificates as certified by independent surveyors appointed by the customers in relation to the work completed by the Group. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in these contracts under HKFRS 15.

A contract asset is recognised over the period in which the construction works are performed representing the Group's right to consideration for the services performed. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to the expiration of the defect liability period, are classified as contract assets, which range from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligation for contracts with customers

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

	Revenue from construction contracts *HK$'000*
Within one year	150,606
More than one year but not more than two years	25,653

B. For the year ended 31 December 2017

	HK$'000
Revenue from construction contracts	166,082

Geographical information

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

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**91,529**	98,285
Macau	**109,106**	67,797
	200,635	166,082

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**861**	118
Macau	**456**	68
	1,317	186

Information about major customers

Revenue from customers in respect of construction contracts for the provision of supply, installation and fitting-out service of MVAC system for buildings individually contributed more than 10% of total revenue of the Group during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**153,960**	102,103
Customer B	**23,466**	41,532
Customer C	**N/A**[1]	19,211

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

4. PROFIT BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Directors' remuneration	**6,425**	5,012
Other staff costs	**16,517**	12,926
Contributions to retirement benefits scheme, other than those of directors	**386**	308
Total staff costs	**23,328**	18,246
Auditor's remuneration	**950**	700
Depreciation of plant and equipment	**219**	51
Loss on write-off of plant and equipment	**20**	4
Operating lease rentals in respect of minimum lease payments of rented premises	**848**	715
Net exchange loss	**—**	165

5. INCOME TAX EXPENSE

	2018 *HK$'000*	2017 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**—**	938
Macau Complementary Tax	**3,635**	1,797
	3,635	2,735
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(5)**	111
Macau Complementary Tax	**(101)**	(27)
	(106)	84
Deferred tax credit	**(630)**	—
	2,899	2,819

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%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the subsidiary in Hong Kong incurred tax losses for the year ended 31 December 2018.

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% on the taxable income above Macau Pataca ("**MOP**") 600,000.

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**13,039**	8,030
Tax at the domestic income tax rate of 16.5%	**2,151**	1,325
Tax effect of expenses not deductible for tax purpose	**2,423**	2,217
Tax effect of income not taxable for tax purpose	**(98)**	(103)
(Over)under provision in respect of prior years	**(106)**	84
Tax effect of different tax rate of subsidiary operating in other jurisdiction	**(1,381)**	(682)
Others	**(90)**	(22)
Income tax expense for the year	**2,899**	2,819

6. DIVIDENDS

On 10 April 2017, an interim dividend of HK$27,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the registered of members of the Company on 31 December 2016, namely Wing Fung Capital Limited and Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP (the "**First Pre-IPO Investor**"). Among the dividend declared, HK$10,946,000 was paid out of share premium and HK$16,054,000 was paid out of retained profits of the Company. On the same date, for the dividend payable to Wing Fung Capital Limited of HK$23,824,000, HK$20,708,000 of which had been settled by offsetting with amount due from a director and the remaining amount of HK$3,116,000 had been settled in cash. The remaining HK$3,176,000 payable to the First Pre-IPO Investor, was irrevocably waived by the First Pre-IPO Investor pursuant to a deed of waiver dated 10 April 2017. The amount waived was deemed as capital contribution from a shareholder and credited to capital reserve.

On 24 October 2017, an interim dividend of HK$34,000,000 was declared and approved by the Company in favor of its shareholders whose names appeared on the registered of members of the Company on 24 October 2017, namely Wing Fung Capital Limited, the First Pre-IPO Investor and the Second Pre-IPO Investor (as defined in Note 12(a)). Among the dividend declared, HK$27,000,000 was paid out of share premium and HK$7,000,000 was paid out of retained profits of the Company. On the same date, the dividend payable to Wing Fung Capital Limited of HK$25,500,000 was settled in cash. The dividend payables of HK$3,400,000 to the First Pre-IPO Investor and HK$5,100,000 to the Second Pre-IPO Investor were both irrevocably waived by the First Pre-IPO Investor and the Second Pre-IPO Investor respectively pursuant to deeds of waiver dated 24 October 2017. The amounts waived would be deemed as capital contribution from shareholders and credited to capital reserve.

No other dividend was declared or paid by the Company or any of its subsidiaries during the year ended 31 December 2018 and 2017.

7. EARNINGS PER SHARE

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
— Earnings for the purpose of calculating basic earnings per share (profit for the year) *(in HK$'000)*	**10,140**	5,211
Number of shares:		
— Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**551,590,411**	422,892,534

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share during the year ended 31 December 2018 and 2017 is based on the assumption that the group reorganisation completed on 28 December 2016, the share subdivision and the capitalisation issue of 429,720,000 shares had been effective on 1 January 2017 and as adjusted for capital contributions by shareholders for both years.

No diluted earnings per share for both years is presented as there were no potential ordinary shares in issue during both years.

8. CONTRACTS ASSETS

	31.12.2018	1.1.2018*
	HK$'000	*HK$'000*
Construction contracts		
— Private sector	**35,091**	26,532
— Public sector	**3,513**	3,467
	38,604	29,999

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

The contract assets relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional other than passage of time.

Included in carrying amount of contract assets comprises retention receivables of HK$22,368,000 as at 31 December 2018.

Retention receivables is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of construction contracts, in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of contract work as set out in the contract, the architect for the building project will issue a practical completion certificate. Generally, upon the issuance of the practical completion certificate, half of the retention money of such contract work will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that identified defects in respect of the entire building project have been made good.

The retention receivables would be settled, based on the expiry of the defect liability period, at the end of the reporting period as follow:

	HK$'000
Within one year	4,452
After one year	17,916
	22,368

Movement in the allowance for doubtful debts on contract assets:

	HK$'000
At 1 January 2018 (restated)	358
Impairment loss recognised	113
Currency realignment	(4)
At 31 December 2018	467

9. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2017 *HK$'000*
Contracts in progress at the end of the reporting period:	
Contract costs incurred	187,489
Recognised profits less recognised losses	41,417
	228,906
Less: Progress billings	(223,094)
	5,812
Analysed for reporting purposes as:	
Amounts due from customers for contract works	10,234
Amounts due to customers for contract works	(4,422)
	5,812

As at 31 December 2017, retention held by customers for contract works amounted to HK$20,123,000, which are set out in Note 10.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**48,762**	15,863
Less: Allowance for credit losses	**(1,165)**	—
	47,597	15,863
Retention receivables *(Note)*	—	20,123
Deferred listing expenses	—	3,349
Other receivables, deposits and prepayments	**1,785**	1,282
	49,382	40,617

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within one year	—	7,275
After one year	—	12,848
	—	20,123

Note: Retention receivables as at 31 December 2017 are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, all being 1 to 2 years from the date of the completion of the respective projects.

Retention receivables were reclassified to contract assets upon initial application of HKFRS 15 on 1 January 2018.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$47,597,000 and HK$15,863,000 respectively.

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 days to 45 days to its customers. The following is an aging analysis of trade receivables based on valuation dates of payment certificates, which approximate the revenue recognition dates, net of allowance for doubtful debts at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**19,630**	7,057
31 to 60 days	**14,140**	5,992
61 to 90 days	**13,210**	948
91 to 180 days	**—**	65
Within 1 to 2 years	**—**	1,801
Within 2 to 3 years	**617**	—
	47,597	15,863

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. 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.

The management of the Group closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be of good credit quality with reference to respective settlement history.

Before the application of HKFRS 9 on 1 January 2018, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$6,359,000 which are past due at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$17,744,000 which are past due and which impairment loss had not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances. Include in the past due balance of HK$617,000 has been past due 90 days or more and is not considered as in default based on good repayment records for those debtors and continuous business with the Group.

The aging analysis presented based on the valuation dates of payment certificates of the trade receivables which are past due but not impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
31 to 60 days	**17,127**	3,634
61 to 90 days	**—**	859
91 to 180 days	**—**	65
Over 1 year	**617**	1,801
	17,744	6,359

All of the trade receivables that are neither past due nor impaired have no default payment history.

Movement in the allowance for doubtful debts on trade receivables:

	HK$'000
At 1 January 2018 (restated)	916
Impairment loss recognised	259
Currency realignment	(10)
At 31 December 2018	1,165

11. TRADE AND RETENTION PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**16,256**	8,229
Retention payables *(Note)*	**7,401**	6,325
	23,657	14,554

Note: 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:

	2018	2017
	HK$'000	*HK$'000*
Due within one year	**1,630**	2,223
Due after one year	**5,771**	4,102
	7,401	6,325

The credit period of trade payables granted by subcontractors and suppliers is 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.

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**11,907**	6,187
31 to 60 days	**3,355**	657
61 to 90 days	**2**	278
91 to 180 days	**33**	783
181 days to 1 year	**60**	—
Over 1 year	**899**	324
	16,256	8,229

12. SHARE CAPITAL

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

	Nominal value per share	Number of shares	Amount	
			US$'000	*HK$'000*
Authorised:				
At 1 January 2017	US$1	50,000	50	390
Creation of shares *(Note b)*	HK$0.1	10,000,000,000	N/A	1,000,000
Cancellation of shares *(Note b)*	US$1	(50,000)	(50)	(390)
Subdivision of shares *(Note c)*	HK$0.01	90,000,000,000	N/A	—
At 31 December 2017 and 31 December 2018	HK$0.01	100,000,000,000	N/A	1,000,000
Issued and fully paid:				
At 1 January 2017	US$1	850	1	7
Issue of shares *(Note a)*	US$1	150	—	1
Issue of shares *(Note b)*	HK$0.1	78,000	N/A	8
Repurchase and cancellation of shares *(Note b)*	US$1	(1,000)	(1)	(8)
Subdivision of shares *(Note c)*	HK$0.01	702,000	N/A	—
At 31 December 2017	HK$0.01	780,000	N/A	8
Capitalisation issue of shares *(Note d)*	HK$0.01	429,720,000	N/A	4,297
Issue of shares by share offer *(Note e)*	HK$0.01	143,500,000	N/A	1,435
At 31 December 2018	HK$0.01	574,000,000	N/A	5,740

Notes:

a. On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — FC Treasure Fund I SP (the "**Second Pre-IPO Investor**") and (iii) Mr. Chung as guarantor, pursuant to which the Second Pre-IPO Investor subscribed for 150 shares of the Company at a cash consideration of HK$15,000,000 (the "**Second Pre-IPO Investment**"). The Second Pre-IPO Investment was completed on 13 February 2017.

The new shares rank pari passu with the then existing shares in all respects.

b. Pursuant to the written resolutions of the shareholders passed on 22 March 2017, the authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to the aggregate of (i) US$50,000 divided into 50,000 shares of a par value of US$1.00 each; and (ii) HK$1,000,000,000 divided into 10,000,000,000 shares with a par value of HK$0.10 each, by the creation of an additional 10,000,000,000 ordinary shares of HK$0.10 each. The increase in authorised share capital of the Company was completed on 31 March 2017.

   On the same date, the Company allotted and issued 58,500, 7,800 and 11,700 shares with a par value of HK$0.10 each to Wing Fung Capital Limited, the First Pre-IPO Investor and the Second Pre-IPO Investor, respectively and repurchased the 1,000 then existing issued shares of US$1.00 each. Also on the same date, the Company cancelled 50,000 authorised but unissued shares of US$1.00 each in the share capital of the Company, such that the authorised share capital of the Company became HK$1,000,000,000 divided into 10,000,000,000 shares of a par value of HK$0.10 each.

c. Pursuant to the written resolutions of the shareholders passed on 10 April 2017, each of the issued and unissued shares of the Company of HK$0.10 each was subdivided into 10 shares with a par value of HK$0.01 each. Upon completion of the share subdivision, the authorised share capital of the Company became HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each, and the issued share capital of the Company became HK$7,800 divided into 780,000 shares of HK$0.01 each.

d. 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.

e. 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. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**665**	273
In the second to fifth years inclusive	**33**	—
	698	273

Operating lease payments represent rentals payable by the Group for offices premises. These leases are negotiated for terms ranging from six months to two years. None of the leases include any contingent rentals.

14. CONTINGENT LIABILITIES

	2018	2017
	HK$'000	*HK$'000*
Indemnities issued to a bank for performance bonds in respect of construction contracts	**9,266**	2,716

15. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Pledged and restricted bank deposits	**12,330**	5,725

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 2018, the Group was awarded its first contract with a contract sum of more than HK$80 million in Hong Kong, the work for which had commenced in October 2018. Our revenue generated from our operations in Hong Kong and Macau accounted for approximately 45.6% (2017: approximately 59.2%) and 54.4% (2017: approximately 40.8%) of our total revenue during the year ended 31 December 2018 respectively.

Looking forward, the Directors consider that the future opportunities and challenges which the Group faces will be affected by the development of the infrastructural, commercial and residential buildings in Hong Kong and Macau as well as factors affecting the labour costs and material costs. The Group is of the view that the number of infrastructural, commercial and residential buildings to be built and maintained in Hong Kong and Macau is the key driver for the growth of the MVAC installation industry.

With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to pursue the business strategies as set out in the prospectus of the Company dated 12 February 2018 (the "**Prospectus**").

Financial Review

Revenue

Our revenue increased from approximately HK$166.1 million for the year ended 31 December 2017 to approximately HK$200.6 million for the year ended 31 December 2018, representing an increase of approximately 20.8%. The increase was principally due to (i) the revenue of approximately HK$69.6 million from new projects in particular two new projects located at Tseung Kwan O and Cotai in Macau, respectively, and (ii) the increase in the revenue of approximately HK$52.2 million due to the increase in the amount of our works under existing projects awarded to us as compared with the year ended 31 December 2017, in particular, the project located at Kowloon Bay which contributed approximately HK$47.4 million of the increase. The above increase was partially offset by (i) the decrease in the revenue of approximately HK$2.7 million as a result of the completion of our projects in the prior period and therefore would generate no further revenue for the year ended 31 December 2018, in particular, for the completion of the two projects located at Taipa, Ilhas in Macau which, in aggregate, accounted for approximately HK$2.0 million of the decrease and (ii) the decrease in the revenue of approximately HK$84.6 million due to the decrease in the amount of our works for existing projects recognised during the year, in particular, for the two projects located at Kai Tak and Pokfulam as compared with the year ended 31 December 2017.

Cost of Services

Our cost of services increased from approximately HK$133.5 million for the year ended 31 December 2017 to approximately HK$162.3 million for the year ended 31 December 2018, representing an increase of approximately 21.6% which was similar to the extent of increase in our revenue for the year ended 31 December 2018.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 17.5% from approximately HK$32.6 million for the year ended 31 December 2017 to approximately HK$38.3 million for the year ended 31 December 2018. The increase was mainly driven by the result of increase in revenue for the year ended 31 December 2018 as discussed above.

The overall gross profit margin remained relatively stable at approximately 19.1% (2017: approximately 19.6%) for the year ended 31 December 2018.

Listing Expenses

During the year ended 31 December 2018, our Group recognised non-recurring listing expenses of approximately HK$7.1 million (2017: approximately HK$11.3 million) as expenses in connection with the listing of shares of the Company (the "**Shares**") on GEM of the Stock Exchange (the "**Listing**") in February 2018.

Administrative Expenses

Our administrative expenses increased by approximately HK$3.7 million, or approximately 27.2%, from approximately HK$13.6 million for the year ended 31 December 2017 to approximately HK$17.3 million for the year ended 31 December 2018, mainly attributable to the increase in the staff costs such as the Directors' fees and the professional fees for compliance purposes following the Listing.

Income Tax Expense

Income tax expense for the Group increased by approximately 3.6% from approximately HK$2.8 million for the year ended 31 December 2017 to approximately HK$2.9 million for the year ended 31 December 2018. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses, e.g. the listing expenses and non-chargeable other income items.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately HK$4.9 million from approximately HK$5.2 million for the year ended 31 December 2017 to approximately HK$10.1 million for the year ended 31 December 2018. Excluding the one-off exceptional expenses for the Listing of the Company, our adjusted profit increased by approximately HK$0.8 million or 4.8% from approximately HK$16.5 million for the year ended 31 December 2017 to approximately HK$17.3 million for the year ended 31 December 2018.

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of approximately HK$130.6 million (2017: approximately HK$74.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$49.9 million (2017: approximately HK$52.3 million) and approximately HK$80.7 million (2017: approximately HK$21.7 million), respectively.

The total interest-bearing borrowing (31 December 2017: interest-bearing borrowing and bank overdraft) of the Group as at 31 December 2018 were approximately HK$13.1 million (31 December 2017: approximately 19.6 million), and current ratio as at 31 December 2018 was approximately 2.6 times (31 December 2017: approximately 1.4 times).

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 a bank borrowing and the bank overdraft by total equity at the year-end date, decreased from approximately 90.1% as at 31 December 2017 to approximately 16.3% as at 31 December 2018, 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 the Listing in February 2018.

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 2018, the Company's issued share capital was HK$5,740,000 (2017: HK$7,800) divided into 574,000,000 ordinary Shares of par value of HK$0.01 each (2017: 780,000 of HK$0.01 each).

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$0.7 million as at 31 December 2018 (31 December 2017: approximately HK$0.3 million).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus and this announcement, the Group did not have any plans for material investments or capital assets as of 31 December 2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Contingent Liabilities

Save as disclosed in note 14 of the notes to the consolidated financial statements, as at 31 December 2017 and 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 2018.

Pledge of Assets

Save as disclosed in note 15 of the notes to the consolidated financial statements, as at 31 December 2017 and 2018, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 31 December 2018, the Group employed a total of 164 (31 December 2017: 79) employees, 110 (31 December 2017: 51) of them were the 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$23.3 million for the year ended 31 December 2018 (2017: approximately HK$18.2 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

The Board is not aware of any important events after the reporting period that requires disclosure.

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 2018.

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. The Company has adopted and complied with, where applicable, the CG Code from 27 February 2018, being the date the Shares were listed on GEM of the Stock Exchange (the "**Listing Date**") and up to 31 December 2018 (the "**Relevant Period**") 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 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 Relevant Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all the Directors and all Directors confirmed that they had complied with the required standard of dealings regarding securities transactions during the Relevant Period.

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 2018 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 2018
Acquisition of performance bond for new projects	Satisfy customers' requirements for performance bonds for new projects to be awarded to our Group	The Group has been identifying suitable business opportunities with potential customers and the Group has also committed to undertaking new projects. As at 31 December 2018, the Group acquired performance bond in the amount of approximately HK$5.1 million to satisfy requirement of new projects.

Business strategies as stated in the Prospectus	**Implementation plan as stated in the Prospectus**	**Actual business progress up to 31 December 2018**
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	The Group has added ten headcounts of junior to senior level engineering staff to cope with its business development and one administrative staff in Hong Kong thereby incurring additional staff costs of approximately HK$1.3 million and HK$9,000 respectively for the year ended 31 December 2018. The Group regularly reviews the need for further recruitments to cope with the business development.
	Sponsor project team to attend technical seminars and occupational health and safety courses	The Group has been identifying suitable technical seminars and occupational health and safety courses for project team to attend.
	Purchase building information modeling (BIM) software	The Group is in the process of selecting (BIM) software.
	Provide training to staff for the building information modeling (BIM) software	The Group has been identifying suitable (BIM) training courses for staff to attend.
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 HK$129,000 of the net proceeds from the Listing for the relevant rental expenses.

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 31 December 2018
	Payroll for newly employed administrative staff in Macau	The Group has hired one administrative staff in Macau thereby incurring additional staff cost of HK$92,000 for the year ended 31 December 2018.
	Purchase leasehold improvement, purchase of furniture and fixtures for new Macau office	The Group is in the process of selecting furniture and fixtures for 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 (based on the final offer price of HK$0.38, being the low-end of the price range stated in the Prospectus), and is lower than the estimated net proceeds of approximately HK$30 million (based on the mid-point of the price range stated in the Prospectus).

The Group adjusted the use of proceeds in accordance with the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2018, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	**Amount utilised as at 31 December 2018** *HK$ million*	**Balance** *HK$ million*
Acquisition of performance bond for new projects	**7.2**	**5.1**	**2.1**
Employment of additional staff and provision of relevant training	**17.4**	**1.3**	**16.1**
Leasing of a new office and employment of additional staff in Macau	**2.4**	**0.2**	**2.2**
Working capital	**0.2**	**0.2**	**—**
	27.2	**6.8**	**20.4**

As at 31 December 2018, unutilised proceeds of approximately HK$20.4 million were deposited in licensed banks in Hong Kong.

The Group did not apply the net proceeds as per the planned time frame with reference to the disclosure in the Prospectus mainly due to difficulty in hiring staff with appropriate qualification and experience.

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 historical revenue and profit margin may not be indicative of the future revenue and profit margin of the Group; and

(iv) any delay or defects of the works of the supplies 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 Relevant Period.

DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of the year ended 31 December 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, who 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 2018 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 the financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this 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 its close associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting ("**AGM**") for the financial year 2018 of the Company is scheduled to be held on 12 June 2019, the notice of the AGM together with the 2018 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 6 June 2019 to 12 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on 5 June 2019.

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

Hong Kong, 13 March 2019

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.