



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

2023

INTERIM REPORT

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INTERIM FINANCIAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023 (the “**Relevant Period**”), together with the comparative unaudited figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	35,958	50,715	70,069	100,105
Cost of sales	4	(30,237)	(51,255)	(62,040)	(97,875)
Gross profit (loss)		5,721	(540)	8,029	2,230
Other income, net		69	4,037	106	4,072
(Provision) Reversal of impairment losses on trade receivables and contract assets	4	(64)	55	3	16
Administrative expenses	4	(4,415)	(4,361)	(8,338)	(8,124)
Operating profit (loss)		1,311	(809)	(200)	(1,806)
Finance costs		(494)	(432)	(990)	(903)
Profit (Loss) before income tax		817	(1,241)	(1,190)	(2,709)
Income tax (expense) credit	5	(403)	807	(121)	844
Profit (Loss) for the period		414	(434)	(1,311)	(1,865)
Other comprehensive income (expenses) 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)	(56)	(1)
Total comprehensive income (expenses) for the period		415	(436)	(1,367)	(1,866)
Basic and diluted earnings (loss) per share for earnings (loss) attributable to the ordinary equity holders of the Company (HK cents per share)	7	0.26	(0.27)	(0.81)	(1.15)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
ASSETS			
Non-current assets			
Plant and equipment		278	376
Right-of-use assets		34	136
Deferred income tax assets		5,836	5,737
		6,148	6,249
Current assets			
Contract assets		125,124	122,235
Trade and other receivables, deposits and prepayments	8	24,860	35,666
Current income tax assets		583	805
Pledged and restricted bank deposits	9	9,366	9,242
Cash and cash equivalents	9	8,177	12,047
		168,110	179,995
Total assets		174,258	186,244
LIABILITIES			
Current liabilities			
Trade and retention payables	10	32,866	40,863
Other payables and accrued expenses		2,902	5,261
Lease liabilities		36	141
Bank borrowings	11	38,195	38,353
Total liabilities		73,999	84,618
Net assets		100,259	101,626
EQUITY			
Share capital	12	6,490	6,490
Reserves		93,769	95,136
Total equity		100,259	101,626

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	<i>Note</i>	
Net cash used in operating activities	(2,561)	(6,730)
Net cash (used in) from investing activities	(85)	5,128
Net cash (used in) from financing activities	(1,588)	7,674
Net (decrease) increase in cash and cash equivalents	(4,234)	6,072
Cash and cash equivalents at the beginning of the reporting period	2,492	4,127
Effects of exchange rate changes on cash and cash equivalents	(3)	(2)
Cash and cash equivalents at the end of the reporting period (net of overdrafts)	9	(1,745)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital	Share premium	Exchange translation reserve	Capital reserve	Other reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2023							
Balance at 1 January 2023 (Audited)	6,490	50,549	(817)	11,676	(12,941)	46,669	101,626
Loss for the period	-	-	-	-	-	(1,311)	(1,311)
Other comprehensive expenses							
– Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	(56)	-	-	-	(56)
Total comprehensive expenses for the period	-	-	(56)	-	-	(1,311)	(1,367)
Balance at 30 June 2023 (Unaudited)	6,490	50,549	(873)	11,676	(12,941)	45,358	100,259
For the six months ended 30 June 2022							
Balance at 1 January 2022 (Audited)	6,490	50,549	(567)	11,676	(12,941)	57,868	113,075
Loss for the period	-	-	-	-	-	(1,865)	(1,865)
Other comprehensive expenses							
– Item that may be reclassified to profit or loss							
Exchange differences arising on translation of a foreign operation	-	-	(1)	-	-	-	(1)
Total comprehensive expenses for the period	-	-	(1)	-	-	(1,865)	(1,866)
Balance at 30 June 2022 (Unaudited)	6,490	50,549	(568)	11,676	(12,941)	56,003	111,209

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 29 September 2016 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is Unit D, 21st Floor, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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

The unaudited condensed consolidated financial statements for the Relevant Period (the "**Interim Financial Statements**") are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company.

The Company listed its shares on GEM of the Stock Exchange on 27 February 2018.

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

2. BASIS OF PREPARATION

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

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group’s revenue are derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings to external customers in Hong Kong and Macau during the period. For the purposes of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on the Group’s accounting policies. The Group has only one single operating segment and no further analysis of this single segment is presented.

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Revenue from construction contracts	35,958	50,715	70,069	100,105

The Group’s revenue is recognised over time for the respective periods.

Geographical information

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Hong Kong	30,828	38,375	56,985
Macau	5,130	12,340	13,084	18,958
	35,958	50,715	70,069	100,105

Information about major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Customer A	30,798	20,634	54,445
Customer B	N/A ¹	12,818	N/A ¹	26,207
Customer C	N/A ¹	12,178	N/A ¹	17,700
Customer D	4,204	N/A ¹	8,976	N/A ¹

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

4. EXPENSES BY NATURE

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Costs of materials	11,307	22,470	24,649	35,822
Subcontractor costs	15,315	24,144	29,664	52,962
Employee benefit expenses				
– directors' remuneration	1,592	1,594	3,185	3,188
– direct labour	2,545	4,055	5,621	7,911
– administrative staff	772	771	1,536	1,523
Provision (Reversal) of impairment losses on trade receivables	53	(62)	(12)	(46)
Provision of impairment losses on contract assets	11	7	9	30
Auditor's remuneration				
– Audit services	170	170	340	340
– Non-audit services	5	5	11	11

5. INCOME TAX EXPENSE (CREDIT)

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current income tax:				
– Hong Kong profits tax	–	–	–	–
– Macau complementary tax	(145)	–	220	–
	(145)	–	220	–
Deferred income tax	548	(807)	(99)	(844)
Income tax expense (credit)	403	(807)	121	(844)

(i) Hong Kong profits tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (for the six months ended 30 June 2022: 16.5%).

(ii) Macau Complementary Tax

Pursuant to a tax incentive approved under Section 20 of Decree Law No. 11/2016, Macau Complementary Tax is levied at a fixed rate of 12% (for the six months ended 30 June 2022: 12%) on the taxable income above Macau Pataca (“MOP”) 600,000 (approximately HK\$582,000) of the Group’s operation in Macau.

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the Relevant Period (for the six months ended 30 June 2022: Nil).

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit (Loss) attributable to owners of the Company (in HK\$'000)	414	(434)	(1,311)	(1,865)
Weighted average number of ordinary shares in issue	162,250,000	162,250,000	162,250,000	162,250,000
Basic earnings (loss) per share (HK cents per share)	0.26	(0.27)	(0.81)	(1.15)

Diluted earnings (loss) per share is equal to the basic earnings (loss) per share since the Company has no dilutive potential shares during the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables (<i>Note i</i>)	24,525	35,059
Less: Provision for impairment loss allowance	(2,189)	(2,203)
	22,336	32,856
Other receivables and deposits	842	1,323
Prepayments	1,682	1,487
	24,860	35,666

(i) Trade receivables

Trade receivables arise from the provision of supply, installation and fitting-out services of MVAC system for buildings. The Group grants a credit period ranged from 30 to 45 days to its customers. The following is an aging analysis of trade receivables based on valuation dates of payment certificates or reports net of provision for impairment loss allowance at the end of the reporting period:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 to 30 days	9,758	11,453
31 to 60 days	8,425	17,069
61 to 90 days	563	740
91 to 180 days	–	–
181 to 365 days	–	–
1 to 2 years	3,590	3,594
	22,336	32,856

The fair value of trade receivables approximate their carrying values.

9. PLEDGED AND RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Pledged bank deposits	7,102	7,000
Restricted bank deposits	2,264	2,242
	9,366	9,242
Cash and cash equivalents	8,177	12,047
Bank overdrafts (<i>Note 11</i>)	(9,922)	(9,555)
	(1,745)	2,492

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group (including overdraft and trade facilities) with maturity within one year from the end of the reporting period and is therefore classified as a current asset. The pledged bank deposits carried interest at a fixed rate at 3.50% per annum as at 30 June 2023 (31 December 2022: 1.55% per annum).

The restricted bank deposits represent cash held at banks as security for due performance under several service contracts of MVAC system for buildings with prevailing market interest rate ranging from 3.18% to 3.31% per annum as at 30 June 2023 (31 December 2022: 0.125% to 3.18% per annum) (*Note 13*).

10. TRADE AND RETENTION PAYABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables	23,952	26,048
Retention payables	8,914	14,815
	32,866	40,863

The credit period of trade payables granted by subcontractors and suppliers range from 30 to 60 days upon the issue of invoices or application of interim payment generally.

The following is an aging analysis of trade payables based on the invoice dates or the dates of application of interim payment, as appropriate.

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 to 30 days	6,740	12,654
31 to 60 days	4,735	5,470
61 to 90 days	3,798	3,513
91 to 180 days	5,484	3,077
181 days to 1 year	2,433	–
Over 1 year	762	1,334
	23,952	26,048

11. BANK BORROWINGS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Secured:		
– Bank borrowings	28,273	28,798
– Bank overdrafts	9,922	9,555
	38,195	38,353

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

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
On demand or within one year	38,195	38,353

The bank borrowings at 30 June 2023 carried interest at Hong Kong Prime Rate minus interest rate to Hong Kong Prime Rate plus interest rate arranging from 0.25% to 2.5% (31 December 2022: Hong Kong Prime Rate plus interest rate ranging from 0.25% to 0.5%). The effective interest rate on the bank borrowings (which is also equal to contracted interest rate) is ranging from 3.5% to 6.25% per annum (31 December 2022: 5.25% to 6.125% per annum). The bank overdrafts at 30 June 2023 carried interest at Hong Kong Prime Rate and the effective interest rate is ranging from 5.875% to 6% per annum (31 December 2022: 5.25% to 5.875% per annum). The Group's bank borrowings are denominated in HK\$.

At 30 June 2023, the bank borrowings were secured by a corporate guarantee of HK\$57,971,000 as issued by the Company (31 December 2022: HK\$57,971,000), by personal guarantee of a director, Mr. Chung Chi Keung ("**Mr. Chung**") of HK\$49,000,000 (31 December 2022: HK\$40,000,000) and a former shareholder of HK\$10,000,000 (31 December 2022: HK\$10,000,000).

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within one year	29,194	38,353
1 to 2 years	71	–
2 to 5 years	2,699	–
Over 5 years	6,231	–
	38,195	38,353

12. SHARE CAPITAL

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

	Nominal value per share	Number of shares	Total HK\$'000
Authorised:			
At 1 January 2022	HK\$0.01	100,000,000,000	1,000,000
Effect of share consolidation (Note a)	HK\$0.03	(75,000,000,000)	–
At 31 December 2022 and 30 June 2023	HK\$0.04	25,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2022	HK\$0.01	649,000,000	6,490
Effect of share consolidation (Note a)	HK\$0.03	(486,750,000)	–
At 31 December 2022 and 30 June 2023	HK\$0.04	162,250,000	6,490

Note:

- (a) On 21 January 2022, every four (4) issued and unissued existing shares of the Company of par value of HK\$0.01 each were consolidated into one (1) consolidated share of par value of HK\$0.04 each.

13. CONTINGENCIES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Performance bonds (<i>Note a</i>)	2,737	2,737
Corporate guarantee (<i>Note b</i>)	13,491	13,491

Notes:

- (a) Certain customers require the Group to procure performance bonds to be provided by a bank in favour of them as security for due performance and observance of the obligations under the contracts. In procuring such performance bonds, the Group is usually required to place a required amount of deposit with such bank. If the Group fails to provide satisfactory services to the customers, the customers are entitled to seek compensation from the bank for the amount of financial losses incurred not exceeding the amount of the performance bonds. The Group will then become liable to compensate the bank accordingly. During the six months ended 30 June 2023 and the year ended 31 December 2022, no call was made on any performance bonds of the Group. Typically, the estimated consideration is not constrained for revenue recognition.
- (b) At 30 June 2023, the Group provided corporate guarantee amounted to approximately HK\$13,491,000 (31 December 2022: HK\$13,491,000) to one customer (31 December 2022: one) as an indemnity for three construction contracts (31 December 2022: three). During the six months ended 30 June 2023 and the year ended 31 December 2022, no corporate guarantee was being enforced. Typically, the estimated consideration is not constrained for revenue recognition.

14. RELATED PARTY DISCLOSURES

Key management personnel are deemed to be the members of the board of directors and senior management of the Company who have the responsibility for the planning and controlling the activities of the Group. The remuneration of directors and one member (for the six months ended 30 June 2022: two members) during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Salaries and other benefits	1,686	1,882	3,371	3,764
Contribution to retirement benefits scheme	14	18	27	36
	1,700	1,900	3,398	3,800

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.

Despite minor set back to the momentum of recovery of Hong Kong overall economy in the second quarter of 2023, the construction sector in Hong Kong has experienced a slight uplift in the number of public and private projects and construction activities in the first half of 2023. Also, in light of the commitment of Hong Kong Government to implement the development plan of “Northern Metropolis” and the launch of a pilot scheme for private subsidised sale flat to address public’s housing demand, it is expected that there will be a boost to local construction industry and help sustain the demand for the Group’s services in MVAC systems in both private and public projects in near future. However, a skilled labour shortage, coupled with rising raw material and labour costs, and fierce competition in tendering process have continued to present challenges for the construction industry in both Hong Kong and Macau, and have hindered the performance of the Group.

During the Relevant Period, the Group recorded a loss of approximately HK\$1.3 million as compared to a loss of approximately HK\$1.9 million in the corresponding period in 2022. The Group was able to reduce the net loss, primarily attributable to the improvement in the gross profit margin. In June 2023, the Group was awarded a new contract with a contract sum of approximately HK\$182.5 million.

Looking ahead, the Group will continue to explore cooperation with new customers and derive new revenue streams, and optimise resource utilisation and efficiencies in order to maximise return to our shareholders. In addition to the above, the Group may also seek to diversify and explore other investment opportunities in the future. The financial results of the Group for the year ending 31 December 2023 will potentially be affected as a result of the aforementioned challenges and uncertainties. Nonetheless, the Group will stay vigilant by constantly reviewing its business and tendering strategies and enhancing its operational efficiency and financial performance.

Financial Review

Revenue

Our revenue decreased by approximately HK\$30.0 million, from approximately HK\$100.1 million for the six months ended 30 June 2022 to approximately HK\$70.1 million for the Relevant Period, representing a decrease of approximately 30.0%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$10.3million from new projects (in particular a new project located at Taipa in Macau which contributed to an increase in revenue of approximately HK\$9.0 million); and (ii) an increase in revenue of approximately HK\$25.6 million due to the increase in the amount of work under our existing projects as compared with the six months ended 30 June 2022 (in particular, the two projects located at Kai Tak), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$35.8 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$30.1 million due to the decrease in the amount of work under our existing projects as compared with the six months ended 30 June 2022 (in particular, a project located at Chek Lap Kok and another project located at Taipa in Macau together accounted for a decrease in revenue of approximately HK\$21.9 million).

Cost of Sales

Our cost of sales decreased from approximately HK\$97.9 million for the six months ended 30 June 2022 to approximately HK\$62.0 million for the Relevant Period, representing a decrease of approximately 36.7% which was in line with the decrease in revenue for the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 5.8 million from approximately HK\$2.2 million for the six months ended 30 June 2022 to approximately HK\$8.0 million for the Relevant Period. The gross profit margin increased from approximately 2.2% for the six months ended 30 June 2022 to approximately 11.5% for the Relevant Period. The increase in gross profit and gross profit margin was primarily attributable to increase in the contribution of revenue derived from a project in Kai Tak (which recorded a relatively higher gross profit margin for the Relevant Period) to our total revenue from approximately 20.9% for the six months ended 30 June 2022 to approximately 57.0% for the Relevant Period.

Administrative Expenses

Our administrative expenses remained relatively stable at approximately HK\$8.3 million during the Relevant Period (for the six months ended 30 June 2022: approximately HK\$8.1 million).

Income Tax Expense/Credit

The Group recorded income tax expense of approximately HK\$121,000 for the Relevant Period while the Group recorded income tax credit of approximately HK\$0.8 million for the six months ended 30 June 2022. Such change was primarily attributable to the decrease in the loss before tax for the Relevant Period as compared with the corresponding period in 2022.

Loss for the Period

As a result of the foregoing, our loss decreased by approximately HK\$0.6 million from approximately HK\$1.9 million for the six months ended 30 June 2022 to approximately HK\$1.3 million for the Relevant Period.

Liquidity and Financial Resources

As at 30 June 2023, the Group had total assets of approximately HK\$174.3 million (31 December 2022: approximately HK\$186.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$74.0 million (31 December 2022: approximately HK\$84.6 million) and approximately HK\$100.3 million (31 December 2022: approximately HK\$101.6 million), respectively.

The total interest-bearing borrowings (including bank borrowings and bank overdrafts) of the Group decreased from approximately HK\$38.4 million as at 31 December 2022 to approximately HK\$38.2 million as at 30 June 2023. Current ratio increased from 2.1 times as at 31 December 2022 to approximately 2.3 times as at 30 June 2023.

The Group's borrowing and bank balances are mainly denominated in Hong Kong dollars and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

The Group's gearing ratio, which is calculated by dividing the total interest-bearing borrowings and lease liabilities by total equity at the respective reporting date, increased from approximately 37.9% as at 31 December 2022 to approximately 38.1% as at 30 June 2023, primarily due to the combined effect of (i) the decrease in the total interest-bearing borrowings; and (ii) the decrease in total equity resulting from the decrease in retained earnings attributable to recording a net loss for the Relevant Period.

Capital Structure

The shares of the Company (the “**Shares**”) were successfully listed on GEM of the Stock Exchange on 27 February 2018 (the “**Listing**”). Immediately upon Listing, the total issued share capital of the Company was HK\$5,740,000 divided into 574,000,000 Shares of par value of HK\$0.01 each.

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

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

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

As at 30 June 2023 and 31 December 2022, the Company’s issued share capital was HK\$6,490,000 divided into 162,250,000 ordinary Shares of par value of HK\$0.04 each.

Capital Commitments

As at 30 June 2023 and 31 December 2022, the Group did not have any capital commitments contracted but not provided for.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, the Group did not have any plans for material investments or capital assets as at 30 June 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Litigation

The litigation disclosed in the 2022 annual report (for more details, please refer to the management discussion and analysis section headed “**Litigation**”) has no material changes up to 30 June 2023.

Contingent Liabilities

Save as disclosed in Note 13 of the notes to the unaudited condensed consolidated financial information, as at 30 June 2023 and 31 December 2022, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group’s revenue generating operations are mainly transacted in Hong Kong dollars and MOP. The Directors consider the impact of foreign exchange exposure to the Group is minimal and the Group did not engage in any derivatives agreements nor commit to any financial instrument to hedge its foreign exchange exposure during the Relevant Period.

Pledge of Assets

Save as disclosed in Note 9 of the notes to the unaudited condensed consolidated financial information, as at 30 June 2023 and 31 December 2022, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2023, the Group employed a total of 140 employees, of whom 96 were labour workers nominated by subcontractors. The relevant cost of employing the labour workers nominated by subcontractors was classified as subcontracting charges and the staff costs, including Directors’ emoluments, of the Group were approximately HK\$10.3 million for the Relevant Period (for the six months ended 30 June 2022: approximately HK\$12.6 million).

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

DIVIDENDS

The Board did not recommend the payment of any dividend in respect of the Relevant Period (for the six months ended 30 June 2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 30 June 2023 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 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which any such director or chief executive was taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to standard of dealings by Directors referred in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Mr. Chung	Interest in controlled corporation (Note)	83,062,500	Long position	51.19%

Note: The 83,062,500 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and wholly-owned by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is our executive Director, Chairman and Chief Executive Officer and the controlling shareholder of the Company.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 30 June 2023, the following person/entity (other than the Directors and chief executive of the Company) had or was deemed to have taken an interest or short position in the Shares or underlying Shares which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of Shareholder	Capacity/ Nature of Interest	Number of the Shares held/ interested in	Long/short position	Percentage of Shareholding
Wing Fung Capital Limited	Beneficial owner	83,062,500	Long position	51.19%

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

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

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

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

Save as disclosed above, the Board considered that the Company has complied with, where applicable, the CG Code during the Relevant Period.

COMPETING INTEREST

The Directors are not aware of any business or interest of the Directors or the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Relevant Period.

AUDIT COMMITTEE

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

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Choy Hiu Fai Eric (“**Mr. Choy**”), Mr. Lei For and Mr. Lai Wai Ming. Mr. Choy 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 Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group’s businesses. 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 by potentially causing suspension of works, delay in delivery of construction materials, increase in material and logistics costs and other interruption to the operation of the Group;
- (ii) the business of the Group relies on successful tenders and any failure of the Group to secure tender contracts would affect sustainability of our revenue streams and adversely 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) cost overrun, any delay or defects of the works of the suppliers and subcontractors of the Group would adversely affect its operations and financial results;
- (v) reliance on major customers for a significant portion of the Group’s revenue expose the Group to credit and liquidity risks of such major customers which has impact on the Group’s cash flow and financial conditions; and

- (vi) reliance on key management for the Group's operation may subject the Group to material adverse effect on business operation and profitability in case of departure of members of the key management team without timely and appropriate replacement.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of details of Directors' information subsequent to the date of the annual report of the Company for the year ended 31 December 2022 is set out below:

Mr. Choy has resigned as an independent non-executive director of CCIAM Future Energy Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 145) with effect from 22 June 2023.

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

Hong Kong, 7 August 2023

As at the date of this report, the executive Directors are Mr. Chung Chi Keung and Ms. Lai Suk Fan; and the independent non-executive Directors are Mr. Choy Hiu Fai Eric, Mr. Lei For and Mr. Lai Wai Ming.

This report will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least seven days from the date of its publication. This report will also be published and remained on the Company's website at www.wingfunggroup.com.