



Wing Fung Group Asia Limited

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(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8526

INTERIM REPORT 2018

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

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

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

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 June 2018

	NOTES	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	57,744	55,675	102,199	105,525
Cost of services		(46,778)	(45,731)	(81,325)	(84,355)
Gross profit		10,966	9,944	20,874	21,170
Other income		129	21	208	101
Administrative expenses		(4,117)	(2,385)	(7,491)	(6,173)
Listing expenses		—	(4,524)	(7,126)	(9,202)
Finance costs		(225)	(15)	(484)	(19)
Profit before tax	4	6,753	3,041	5,981	5,877
Income tax expense	5	(1,086)	(1,056)	(1,877)	(2,296)
Profit for the period		5,667	1,985	4,104	3,581
Other comprehensive income (expense) for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of a foreign operation		31	286	(39)	(13)
Total comprehensive income for the period		5,698	2,271	4,065	3,568
Basic earnings per share (HK cents)	7	0.99	0.46	0.78	0.86

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>NOTES</i>	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Non-current asset			
Plant and equipment		1,069	186
Current assets			
Contract assets		47,372	—
Amounts due from customers for contract works		—	10,234
Trade and other receivables, deposits and prepayments	8	25,941	40,617
Pledged and restricted bank deposits	9	8,433	5,725
Bank balances and cash	9	41,589	17,284
		123,335	73,860
Current liabilities			
Contract liabilities		4,422	—
Amounts due to customers for contract works		—	4,422
Trade and retention payables	10	18,661	14,554
Other payables and accrued expenses		2,223	5,437
Amounts due to related companies		4,900	5,041
Tax payable		5,218	3,338
Bank overdrafts — secured	9	—	72
Bank borrowing	11	16,351	19,485
		51,775	52,349
Net current assets		71,560	21,511
Total assets less current liabilities		72,629	21,697
Capital and reserves			
Share capital	12	5,740	8
Reserves		66,889	21,689
		72,629	21,697

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
For the six months ended 30 June 2018							
At 1 January 2018 (Audited)	8	12	(157)	11,676	(12,941)	23,099	21,697
Profit for the period	—	—	—	—	—	4,104	4,104
Exchange differences arising on translation of a foreign operation	—	—	(39)	—	—	—	(39)
Total comprehensive (expense) income for the period	—	—	(39)	—	—	4,104	4,065
Capitalisation issue of shares	4,297	(4,297)	—	—	—	—	—
Issue of shares by public offering	1,435	53,095	—	—	—	—	54,530
Share issuance expenses	—	(7,663)	—	—	—	—	(7,663)
At 30 June 2018 (Unaudited)	5,740	41,147	(196)	11,676	(12,941)	27,203	72,629
For the six months ended 30 June 2017							
At 1 January 2017 (Audited)	7	22,959	(121)	—	(12,941)	40,942	50,846
Profit for the period	—	—	—	—	—	3,581	3,581
Exchange differences arising on translation of a foreign operation	—	—	(13)	—	—	—	(13)
Total comprehensive (expense) income for the period	—	—	(13)	—	—	3,581	3,568
Issue of shares by the Company	1	14,999	—	—	—	—	15,000
Dividend declared and settled (<i>Note 6</i>)	—	(10,946)	—	3,176	—	(16,054)	(23,824)
At 30 June 2017 (Unaudited)	8	27,012	(134)	3,176	(12,941)	28,469	45,590

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(15,277)	450
Net cash used in investing activities	(13,549)	(60)
Net cash from financing activities	43,249	11,784
Net increase in cash and cash equivalents	14,423	12,174
Cash and cash equivalents at beginning of the period	17,212	12,573
Effect of foreign exchange rate changes	(46)	(16)
Cash and cash equivalents at end of the period, represented by bank balances and cash and bank overdraft	31,589	24,731

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL

The Company was incorporated under the name Wing Fung Capital Holdings Limited 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 the shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange on 27 February 2018 (the “**Listing**”). On 30 December 2016, the name of the Company was changed to Wing Fung Group Asia Limited. 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.

Pursuant to the reorganisation of the Group (the “**Reorganisation**”) in connection with the Listing, the Company became the holding company of the companies comprising the Group on 28 December 2016. Details of the Reorganisation are set out under the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 12 February 2018 (the “**Prospectus**”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Relevant Period (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared under the historical cost convention and are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The preparation of the Interim Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of 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 (“**HKFRS**”), the accounting policies and methods of computation in the Interim Financial Statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed financial statements:

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 HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures set out in the Interim Financial Statements.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The following tables summarize the estimated impact of the adoption of HKFRS 15 on the Interim Financial Statements, by comparing the amounts reported under HKFRS 15 with estimates of the hypothetical amounts that would have been recognised under HKAS 11 if it had continued to be applied in 2018 instead of HKFRS 15. These tables show only line items impacted by the adoption of HKFRS 15.

(a) Unaudited condensed consolidated statement of profit or loss (Extract)

For the six months ended 30 June 2018	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15	Estimated impact of the adoption of HKFRS 15	Hypothetical amounts under HKAS 11
	HK\$'000	HK\$'000	HK\$'000
Revenue	102,199	(16,490)	85,709
Cost of services	(81,325)	14,820	(66,505)
Income tax expense	(1,877)	251	(1,626)
Profit for the period	4,104	(1,419)	2,685

(b) *Unaudited condensed consolidated statement of financial position
(Extract)*

As at 30 June 2018	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15 HK\$'000	Estimated impact of the adoption of HKFRS 15 HK\$'000	Hypothetical amounts under HKAS 11 HK\$'000
Assets			
Contract assets	47,372	(47,372)	—
Amounts due from customers for contract works	—	22,535	22,535
Trade and other receivables, deposits and prepayments	25,941	20,644	46,585
Liabilities			
Contract liabilities	4,422	(4,422)	—
Amounts due to customers for contract works	—	1,899	1,899
Tax payable	5,218	(251)	4,967
Equity			
Retained profits	27,203	(1,419)	25,784

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these unaudited condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the provision of supply, installation, and fitting-out services of MVAC system for buildings from external customers. The Group's revenue is derived from the provision of supply, installation, and fitting-out services of MVAC system for buildings in Hong Kong and Macau during the period. For the purposes of resources allocation and performance assessment, our executive Director and 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.

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue from construction contracts	57,744	55,675	102,199	105,525

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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Hong Kong	26,645	37,766	32,467	77,780
Macau	31,099	17,909	69,732	27,745
	57,744	55,675	102,199	105,525

Information about major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A	49,041	35,794	88,368	58,450
Customer B	N/A ¹	12,580	N/A ¹	31,404
Customer C	N/A ¹	5,867	N/A ¹	14,088

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

4. PROFIT BEFORE TAX

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit before tax has been arrived at charging (crediting)				
Staff costs				
Directors' remuneration	1,427	763	2,607	1,806
Other staff costs	3,833	2,835	6,983	6,061
Contributions to retirement benefits schemes, other than those of directors	92	86	166	163
Total staff costs	5,352	3,684	9,756	8,030
Auditor's remuneration	175	—	350	—
Depreciation of plant and equipment	32	12	48	24
Contract costs recognised as expenses	46,778	45,731	81,325	84,355
Operating lease rentals in respect of minimum lease payments of rented premises	197	155	388	379
Net exchange (gain) loss	(16)	86	(72)	66

5. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax:				
Hong Kong Profits Tax	381	497	186	1,533
Macau Complementary Tax	705	559	1,691	763
	1,086	1,056	1,877	2,296

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Pursuant to tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% on the taxable income above Macau Pataca ("MOP") 600,000.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period.

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 the First Pre-IPO Investor (as defined in Note 12(b)). 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. 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.

7. EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period) (in HK\$'000)	5,667	1,985	4,104	3,581
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	574,000	430,500	528,809	415,159

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share during the period is based on the assumption that the Reorganisation, the increase in authorised share capital and redenomination of share capital, the share subdivision and the capitalisation issue of 429,720,000 shares as explained in the section headed "History, Development and Reorganisation" in the Prospectus, had been effective on 1 January 2016 and as adjusted for capital contributions by shareholders during the period.

No diluted earnings per share for the period is presented as there were no potential dilutive ordinary shares in issue during the period.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Trade receivables	24,185	15,863
Retention receivables (<i>Note</i>)	—	20,123
Deferred listing expenses	—	3,349
Other receivables, deposits and prepayments	1,756	1,282
	25,941	40,617

Note: Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, all being one year from the date of the completion of the respective projects.

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:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
0 to 30 days	9,859	7,057
31 to 60 days	12,524	5,992
61 to 90 days	—	948
91 to 180 days	—	65
181 days to 1 year	—	—
Over 1 year	1,802	1,801
	24,185	15,863

9. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFT

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Pledged bank deposits (<i>Note a</i>)	3,031	3,009
Restricted bank deposits (<i>Note b</i>)	5,402	2,716
Time deposit (<i>Note c</i>)	10,000	—
Bank balances and cash	31,589	17,284
Bank overdraft (<i>Note d</i>)	—	(72)
	50,022	22,937
Less: Pledged and restricted bank deposits	(8,433)	(5,725)
Time deposit	(10,000)	—
Cash and cash equivalents	31,589	17,212

Notes:

- a. The pledged bank deposits represent deposits pledged to a bank to secure a banking facility granted to the Group with maturity within one year from the end of the reporting period and is therefore classified as a current asset. The pledged bank deposits carried interest at a fixed rate of 2.15% per annum as at 30 June 2018 (31 December 2017: 1.45%).
- b. The restricted bank deposits represent cash held at banks as security for due performance under several services contracts of MVAC system for buildings with prevailing market rate of 0.02% per annum as at 30 June 2018 and 31 December 2017.
- c. The time deposit is made for six months and earns interest at deposit rate of 1.6% per annum (31 December 2017: Nil).

- d. As at 31 December 2017, the bank overdraft carries interest at a rate of 1.5% over the prime rate of the relevant bank per annum. The bank overdraft amounting to HK\$72,000 was secured by a personal bank deposit of RMB1,250,000 of Mr. Chung, a Livranca (i.e. promissory note) for MOP5,000,000 signed by Botop Engineering (Macau) Limited, and guaranteed by Mr. Tam Chan Sing Joseph, the spouse of Mr. Chung's sister for MOP1,500,000 and Mr. Chung for MOP5,000,000. The personal bank deposit of Mr. Chung and the guarantees by Mr. Tam Chan Sing Joseph and Mr. Chung has been subsequently released on 27 February 2018 and replaced by a corporate guarantee provided by the Company.

10. TRADE AND RETENTION PAYABLES

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Trade payables	12,010	8,229
Retention payables (<i>Note</i>)	6,651	6,325
	18,661	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 projects.

The average 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 at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
0 to 30 days	9,230	6,187
31 to 60 days	1,840	657
61 to 90 days	—	278
91 to 180 days	29	783
181 days to 1 year	587	—
Over 1 year	324	324
	12,010	8,229

11. BANK BORROWING

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Bank borrowing		
Guaranteed	16,351	19,485

The carrying amounts of bank borrowing that contains a repayment on demand clause (shown under current liabilities) but repayable:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within one year	6,516	6,349
Within a period of more than one year but not exceeding two years	6,866	6,689
Within a period of more than two years but not exceeding five years	2,969	6,447
	16,351	19,485

The bank borrowing as at 30 June 2018 and 31 December 2017 carried interest at Hong Kong Prime Rate of the bank plus 0.25%. The effective interest rate on the bank borrowing (which is also equal to contracted interest rate) is 5.25% per annum (31 December 2017: 5.25%). The Group's bank borrowing is denominated in HK\$.

As at 31 December 2017, the bank borrowing was secured by the personal guarantee by Mr. Chung for HK\$20,000,000 and corporate guarantee for HK\$20,000,000 by Wing Fung Engineering Limited. The personal guarantee by Mr. Chung and the corporate guarantee by Wing Fung Engineering Limited were subsequently released on 27 February 2018 and replaced by a corporate guarantee provided by the Company.

As at 30 June 2018, the bank borrowing was secured by a corporate guarantee by the Company.

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 29 September 2016 (date of incorporation) and 31 December 2016	US\$1	50,000	50	390
Creation of shares (<i>Note d</i>)	HK\$0.1	10,000,000,000	N/A	1,000,000
Cancellation of shares (<i>Note d</i>)	US\$1	(50,000)	(50)	(390)
Subdivision of shares (<i>Note e</i>)	HK\$0.01	90,000,000,000	N/A	—
At 31 December 2017 and 30 June 2018	HK\$0.01	100,000,000,000	N/A	1,000,000
Issued and fully paid:				
At 29 September 2016 (date of incorporation) (<i>Note a</i>)	US\$1	1	—	—
Issue of shares (<i>Note b</i>)	US\$1	849	1	7
At 31 December 2016	US\$1	850	1	7
Issue of shares (<i>Note c</i>)	US\$1	150	—	1
Issue of shares (<i>Note d</i>)	HK\$0.1	78,000	N/A	8
Cancellation of shares (<i>Note d</i>)	US\$1	(1,000)	(1)	(8)
Subdivision of shares (<i>Note e</i>)	HK\$0.01	702,000	N/A	—
At 31 December 2017	HK\$0.01	780,000	N/A	8
Capitalisation issue of shares (<i>Note f</i>)	HK\$0.01	429,720,000	N/A	4,297
Issue of shares by public offering (<i>Note g</i>)	HK\$0.01	143,500,000	N/A	1,435
At 30 June 2018	HK\$0.01	574,000,000	N/A	5,740

Notes:

- a. On 29 September 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. 1 share of US\$1 was issued and allotted to the initial subscriber, which was on the same day transferred to Wing Fung Capital Limited, a company wholly owned by Mr. Chung and Ms. Chung Mei Lin Joanne (“**Ms. Chung**”) (together referred to as the “**Controlling Shareholders**”).
- b. On 15 December 2016, 749 shares of US\$1 each were issued and allotted to Wing Fung Capital Limited for acquisition of Wing Fung Engineering (H.K.) Limited pursuant to the reorganisation.

On 15 December 2016, a subscription agreement was entered into between (i) the Company; (ii) Global Equity Value Fund SPC — Frotivoti Sunshine Liyao Capital Fund I SP (the “**First Pre-IPO Investor**”); and (iii) Mr. Chung, pursuant to which the First Pre-IPO Investor subscribed for 100 new shares at a cash consideration of HK\$10,000,000 (the “**First Pre-IPO Investment**”). The First Pre-IPO Investment was completed on 28 December 2016.

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

- c. 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.

- d. 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 share of HK\$0.10 each. The increase in authorised share capital of the Company was completed on 31 March 2017.

On the same day, 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 day, 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.

- e. 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.
- f. 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.
- g. 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 GEM.

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:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Within one year	470	273
In the second to fifth years inclusive	42	—
	512	273

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

14. CONTINGENT LIABILITIES

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Indemnities issued to a bank for performance bonds in respect of construction contracts	5,402	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:

	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
Pledged and restricted bank deposits	8,433	5,725

16. RELATED PARTY DISCLOSURES

(i) Related party transactions

The Group had entered into the following transactions with related parties during the period:

Name of related company	Relationship	Nature of transaction	Three months ended		Six months ended	
			30 June		30 June	
			2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Botop Engineering Limited	Mr. Chung has controlling interest	Rental expenses	—	—	—	20
Tai Tak E & M Co.	Mr. Chung Chu Sum, Mr. Chung's brother, has joint control	Sub-contracting expense from installation services of MVAC system	—	1,753	124	4,932
Tai Tak Engineering (Macau) Limited	Mr. Chung Chu Sum, Mr. Chung's brother, has controlling interest	Sub-contracting expense from installation services of MVAC system	—	—	—	229
Wing Fung Engineering Limited	Daughters of Mr. Chung have controlling interests	Rental expenses	—	—	—	42

(ii) Pledge of assets held by Mr. Chung and related parties and financial guarantees provided by Mr. Chung and related parties to the Group

Details of pledge of assets held by a shareholder of the Company and related parties and financial guarantees provided by a shareholder of the Company and related parties to the Group for bank overdraft are disclosed in Note 9.

(iii) Indemnities provided by Mr. Chung

As at 30 June 2018 and 31 December 2017, an indemnity amounting to HK\$4,870,000 was provided by Mr. Chung in favour of the Group in respect of a construction contract. The customer for this construction contract declined the Group's request to release the indemnity given by Mr. Chung. During the year ended 31 December 2017, the Group had voluntarily taken out a performance bond from a bank in favor of the customer for the due performance of the Group's obligations under this construction contract. Both the performance bond and the indemnity provided by Mr. Chung will be released upon completion of the whole development project.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries and allowances	1,605	1,142	3,020	2,680
Contributions to retirement benefits schemes	26	23	48	46
	1,631	1,165	3,068	2,726

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.

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 following key business strategies: (i) further developing our business of supply, installation and fitting-out services of MVAC system by making use of additional financial resources available from the Listing, which allows the Group to undertake more projects of larger scale that require the provision of surety bond; (ii) further strengthening the Group's engineering department through recruiting additional qualified and experienced staff; and (iii) leasing a new office and recruiting additional administrative staff in Macau to handle the expected increasing workload in Macau in the long run.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$105.5 million for the six months ended 30 June 2017 to approximately HK\$102.2 million for the Relevant Period, representing a decrease of approximately 3.1%. The decrease was principally due to (i) the decrease in the revenue of approximately HK\$4.1 million as a result of the completion of our projects and therefore generated no further revenue for the Relevant Period in particular for the completion of the projects located at Taipa, Ihas in Macau which contributed approximately HK\$3.0 million of the decrease and (ii) the decrease in the revenue of approximately HK\$63.6 million due to the decrease in the amount of our works for existing projects awarded to us in particular for the projects located at Pokfulam and Kai Tak as compared with the six months ended 30 June 2017. The above decrease was partially offset by (i) the revenue of approximately HK\$35.3 million from new projects located at Kowloon Bay and Cotai in Macau and (ii) the increase in the revenue of approximately HK\$29.1 million due to the increase in the amount of our works under an existing project located at Taipa in Macau as compared with the six months ended 30 June 2017.

Cost of Services

Our cost of services decreased from approximately HK\$84.4 million for the six months ended 30 June 2017 to approximately HK\$81.3 million for the Relevant Period, representing a decrease of approximately 3.7% which was similar to the extent of decrease in our revenue in the Relevant Period.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 1.4% from approximately HK\$21.2 million for the six ended 30 June 2017 to approximately HK\$20.9 million for the Relevant Period. The decrease was mainly driven by the result of decrease in revenue for the Relevant Period as discussed above.

Administrative Expenses

Our administrative expenses increased by approximately HK\$1.3 million, or approximately 21.0%, from approximately HK\$6.2 million for the six months ended 30 June 2017 to approximately HK\$7.5 million for the Relevant Period, mainly attributable to the increase in staff salary and professional fees incurred following the Listing in February 2018.

Listing Expenses

During the Relevant Period, our Group recognised non-recurring listing expenses of approximately HK\$7.1 million (for the six months ended 30 June 2017: approximately HK\$9.2 million) as expenses in connection with the Listing.

Income Tax Expense

Our income tax expenses decreased by approximately HK\$0.4 million, from approximately HK\$2.3 million for the six months ended 30 June 2017 to approximately HK\$1.9 million for the Relevant Period, which was consistent with the decrease in estimated assessable profits.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately HK\$0.5 million or 13.9% from approximately HK\$3.6 million for the six months ended 30 June 2017 to approximately HK\$4.1 million for the Relevant Period. Excluding the one-off exceptional expenses for the Listing of the Company, our adjusted profit decreased by approximately HK\$1.6 million or 12.5% from approximately HK\$12.8 million for the six months ended 30 June 2017 to approximately HK\$11.2 million for the Relevant Period.

Liquidity and Financial Resources

As at 30 June 2018, the Group had total assets of approximately HK\$124.4 million (31 December 2017: approximately HK\$74.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$51.8 million (31 December 2017: approximately HK\$52.3 million) and approximately HK\$72.6 million (31 December 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 30 June 2018 were approximately HK\$16.4 million (31 December 2017: approximately 19.6 million), and current ratio as at 30 June 2018 was approximately 2.4 times (31 December 2017: approximately 1.4 times).

The Group's borrowings 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 bank borrowing and the bank overdraft by total equity, decreased from approximately 90.1% as at 31 December 2017 to approximately 22.5% as at 30 June 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 our partial repayment of the term loan during the Relevant Period, whereas the increase in total equity was primarily due to the issue of Shares upon Listing.

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 only comprises of ordinary shares.

As at 30 June 2018, the Company's issued share capital was HK\$5,740,000 (31 December 2017: HK\$780,000) and the number of its issued ordinary shares was 574,000,000 of HK\$0.01 each (31 December 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\$0.5 million as at 30 June 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 report, the Group did not have any plans for material investments or capital assets as at 30 June 2018.

Significant Investment, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Contingent Liabilities

Save as disclosed in note 14 of the notes to the unaudited condensed consolidated financial statements, as at 30 June 2018, the Group did not have other material contingent liabilities.

Foreign Exchange Exposure

The Group's revenue generating operations are mainly transacted in HK\$ 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 and did not commit to any financial instrument to hedge its foreign exchange exposure during the Relevant Period.

Pledge of Assets

Save as disclosed in note 15 of notes to the unaudited condensed consolidated financial statements, as at 30 June 2018, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 30 June 2018, the Group employed a total of 81 employees, 35 of them were the labour workers nominated by subcontractors. The relevant cost of employing the labour workers nominated by subcontractors has been classified as subcontracting charges and our staff costs, including Directors' emoluments, of the Group were approximately HK\$9.8 million for the Relevant Period (for the six months ended 30 June 2017: approximately HK\$8.0 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the Relevant Period.

DISCLOSURE OF INTERESTS

(I) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of 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 shareholder	Capacity/Nature of interest	Number of		Percentage of shareholding
		Shares held/ interested in	Long/short position	
Mr. Chung	Interest in controlled corporation (<i>Note</i>)	430,500,000	Long position	75%

Note: The 430,500,000 Shares are held by Wing Fung Capital Limited, which is an associated corporation of the Company and owned as to 78.87% by Mr. Chung. Therefore, Mr. Chung is deemed to be interested in all the Shares held by Wing Fung Capital Limited for the purposes of the SFO. Mr. Chung is the chairman and chief executive officer and one of the controlling shareholders of the Company.

Save as disclosed above, as at 30 June 2018, none of Directors nor chief executive of the Company has registered any interests and short positions in the Shares or 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 SHARE OR UNDERLYING SHARE OF THE COMPANY

As at 30 June 2018, the following persons (other than the Directors and chief executive of the Company) had or deemed to have an interest or short position in the Shares or underlying Shares which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Name of shareholder	Capacity/Nature of interest	Number of		Percentage of shareholding
		Shares held/ interested in	Long/short position	
Wing Fung Capital Limited	Beneficial owner	430,500,000	Long position	75%
Ms. Chung	Interest of persons acting in concert (<i>Note</i>)	430,500,000	Long position	75%

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

Save as disclosed above, as at 30 June 2018, 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 Shares, the Underlying Shares or Debentures of the Company" above, had notified the Company of an interest or short position in 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 Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in, or debentures of, the Company, or had exercised any such rights.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERESTS OF THE COMPLIANCE ADVISER

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

CORPORATE GOVERNANCE PRACTICE

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

During the Relevant Period, the Company has adopted and complied with, where applicable, the Corporate Governance Code (“**CG Code**”) set out in Appendix 15 of the GEM Listing Rules 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 the 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 development strategy and planning of the Group. In view of that, Mr. Chung has been responsible for the overall management 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 is pleased to report compliance with all applicable code provisions of the CG Code during the Relevant Period.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Group has established the audit committee of the Company (the “**Audit Committee**”) 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 terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three members, 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 unaudited condensed consolidated results of the Group for the Relevant Period had been reviewed by the Audit Committee, which was of the opinion that such results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2018 is set out below:

Business strategies as stated in the Prospectus	Implementation plan as stated in the Prospectus	Actual business progress up to 30 June 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 submitted various tenders for potential projects during the Relevant Period and the Group is committed to undertaking new construction projects ongoing forward.
Employment of additional staff and provision of relevant training	Payroll for newly employed staff	The Group has added four headcounts of junior to senior level engineering staff to cope with its business development with additional staff costs of approximately HK\$0.3 million for the Relevant Period. 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.
Leasing of a new office and employment of additional staff in Macau	Rental for new Macau office	The Group has utilized part of the net proceeds for the rental expenses of the newly leased Macau office.
	Payroll for newly employed administrative staff in Macau	The Group has hired one administrative staff in Macau.

USE OF PROCEEDS

The Shares were listed on GEM on 27 February 2018 pursuant to the initial public offering of the Company. The net proceeds from the Listing (after deducting the underwriting fees and expenses related to the Listing) of a total of approximately HK\$27.2 million would be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

As at 30 June 2018, the net proceeds had been utilised as follows:

	Actual net proceeds HK\$ million	Amount utilised as at 30 June 2018 HK\$ million	Balance HK\$ million
Acquisition of performance bond for new projects	7.2	—	7.2
Employment of additional staff and provision of relevant training	17.4	0.3	17.1
Leasing of a new office and employment of additional staff in Macau	2.4	0.1	2.3
Working capital	0.2	0.2	—
	27.2	0.6	26.6

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.

By order of the Board

Wing Fung Group Asia Limited

Chung Chi Keung

Chairman and Chief Executive Officer

Hong Kong, 7 August 2018