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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)

INSIDE INFORMATION

(I) PROFIT WARNING AND (II) BUSINESS UPDATE

This announcement is made by Wing Fung Group Asia Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rule Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

(I) PROFIT WARNING

Based on the information currently available to the board (the “**Board**”) of directors (the “**Directors**”) of the Company and upon the preliminary review of the latest unaudited consolidated management accounts of the Group, the Board wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that the Group expects to record a decrease in the revenue of the Company of at least 10.0% for the nine months ended 30 September 2021 (the “**Period**”) as compared to the corresponding period of 2020. The Group also expects to record a net loss of not less than HK\$18.0 million for the Period as compared to the net profit of approximately HK\$6.7 million in the corresponding period of 2020.

The Board believes that, such decrease in the revenue and expected net loss are mainly due to the following factors:

- (i) unexpected prolonged completion of the Group’s certain projects which led to overrun of project cost and resulted in significant decrease in the Group’s expected gross profit margin of various projects;

- (ii) a drop in number of ongoing projects undertaken by the Group which were revenue generating during the Period which further drove down the Group's revenue recognised during the Period; and
- (iii) the decrease in revenue derived from projects in Macau which generally enjoy a relatively higher gross profit margin as compared to projects in Hong Kong.

The Company is in the process of finalising the Group's third quarterly results for the Period. The information contained in this announcement is only a preliminary assessment by the Board of the information currently available to it and the unaudited consolidated management accounts of the Group, which have not been reviewed by the Company's auditors. The Group's financial results for the Period will be disclosed in the third quarterly results announcement of the Company to be released by early November 2021.

(II) BUSINESS UPDATE

Reference is made to the Company's announcement (the "**Announcement**") dated 23 July 2020 regarding the work suspension of the Affected Project and subsequent updates in respect of the Affected Project as mentioned in the annual results announcement of the Company for the year ended 31 December 2021 dated 9 March 2021, the first quarterly results announcement of the Company for the three months ended 31 March 2021 dated 13 May 2021 and the interim results announcements of the Company for the six months ended 30 June 2020 and 2021 dated 5 August 2020 and 5 August 2021, respectively. Capitalised terms used herein shall have the same meanings as used in the Announcement unless the context otherwise requires.

The Board wishes to inform the Shareholders and potential investors that based on the recent communication with the customer of the Affected Project, it is anticipated that the Group's contract in relation to the Affected Project would likely be terminated in due course.

As at 30 September 2021, the contract assets and the trade receivable arising from the Affected Project with gross balances amounted to approximately MOP27.7 million and MOP3.8 million, respectively. The Company is assessing the potential financial impact that may arise in the event of termination of contract in respect of the Affected Project, and will maintain active dialogue with the customer of the Affected Project particularly regarding collection of outstanding contract assets and trade receivables arising therefrom. Nonetheless, the Group has already diverted its resources to its existing others projects since the Work Suspension. Other than the Affected Project and the factors as discussed in section (I) above, the work of all other projects of the Group are progressing as scheduled and the pipeline of projects of the Group remains sufficient as of the date of this announcement. Saved as disclosed above, the Board considers that in the event of termination of the contract in respect of the Affected Project, there will be no material adverse impact on the operations of the Group.

As of the date of this announcement, the Company has not received any formal termination notice regarding the Affected Project and will keep Shareholders and investors of the Company informed of any material development concerning the Affected Project by way of announcement as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 October 2021

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

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.