

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Wing Fung Group Asia Limited
榮豐集團亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8526)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company announces the audited consolidated results of the Group for the year ended 31 December 2023 (the “**Relevant Period**”), together with the comparative audited figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	3	114,570	184,020
Cost of sales	4	<u>(111,508)</u>	<u>(183,534)</u>
Gross profit		3,062	486
Other income, net		277	5,652
Provision of impairment losses on trade receivables and contract assets, net	4	(12,224)	(220)
Write-off of contract assets	4	(11,207)	–
Administrative expenses	4	<u>(18,364)</u>	<u>(17,903)</u>
Operating loss		(38,456)	(11,985)
Finance costs		<u>(1,803)</u>	<u>(1,830)</u>
Loss before income tax		(40,259)	(13,815)
Income tax credit	5	<u>4,354</u>	<u>2,616</u>
Loss for the year		(35,905)	(11,199)
Other comprehensive expenses for the year, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
– Exchange differences on translation of a foreign operation		<u>(58)</u>	<u>(250)</u>
Total comprehensive expenses for the year		<u>(35,963)</u>	<u>(11,449)</u>
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (HK cents per share)	7	<u>(22.13)</u>	<u>(6.90)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment		217	376
Right-of-use assets		1,023	136
Deferred income tax assets		<u>10,697</u>	<u>5,737</u>
		<u>11,937</u>	<u>6,249</u>
Current assets			
Contract assets	8	68,813	122,235
Trade and other receivables, deposits and prepayments	9	34,428	35,666
Current income tax assets		199	805
Pledged and restricted bank deposits	10	9,408	9,242
Cash and cash equivalents	10	<u>6,014</u>	<u>12,047</u>
		<u>118,862</u>	<u>179,995</u>
Total assets		<u>130,799</u>	<u>186,244</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>220</u>	–
		<u>220</u>	–
Current liabilities			
Trade and retention payables	11	31,028	40,863
Other payables and accrued expenses		5,727	5,261
Lease liabilities		826	141
Bank borrowings	12	<u>27,335</u>	<u>38,353</u>
		<u>64,916</u>	<u>84,618</u>
Total liabilities		<u>65,136</u>	<u>84,618</u>
Net assets		<u>65,663</u>	<u>101,626</u>
EQUITY			
Share capital	13	6,490	6,490
Reserves		<u>59,173</u>	<u>95,136</u>
Total equity		<u>65,663</u>	<u>101,626</u>

NOTES:

Year ended 31 December 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 of PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands was valid until 24 January 2024 and the new registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands, with effect from 25 January 2024. 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 consolidated 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 "Listing").

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New/revised HKFRSs applied by the Group

The accounting policies applied in preparing the consolidated financial statements for the year ended 31 December 2023 are consistent with those applied in preparing the Group's consolidated financial statements for the year ended 31 December 2022 except for the adoption of new/revised HKFRSs as set out below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

These amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed and updated the disclosures of accounting policies to disclose the material accounting policy information.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform—Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

(b) New/revised HKFRSs that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ The effective date to be determined

The Directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidation financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Revenue from construction contracts	<u>114,570</u>	<u>184,020</u>

The Group's revenue is recognised over time for the years ended 31 December 2023 and 2022.

Unsatisfied construction contracts

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Revenue from construction contracts to be recognised		
Within one year	157,492	116,797
More than one year	<u>54,289</u>	<u>–</u>

Geographical information

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

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	102,677	144,673
Macau	<u>11,893</u>	<u>39,347</u>
	<u>114,570</u>	<u>184,020</u>

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

	At 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,185	235
Macau	<u>55</u>	<u>277</u>
	<u>1,240</u>	<u>512</u>

Information about major customers

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

	Year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	80,463	98,290
Customer B	20,723	35,857
Customer C	<u>Note</u>	<u>35,802</u>

Note: Revenue from the customer is less than 10% of the total revenue of the Group for the year ended 31 December 2023.

4. EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Costs of materials	46,601	74,717
Subcontractor costs	49,427	88,830
Employee benefit expenses		
– Directors' remuneration	8,581	7,812
– Direct labour	10,797	16,147
– Administrative staff	3,371	3,224
Provision of impairment losses on trade receivables, net	126	205
Provision of impairment losses on contract assets, net	12,098	15
Write-off of contract assets	11,207	–
Auditor's remuneration		
– Audit services	710	680
– Non-audit services	22	22
Depreciation of plant and equipment	160	284
Depreciation of right-of-use assets	786	727
Operating lease rentals in respect of short-term leases of rented premises	1,725	323
Legal and professional fees	2,512	2,681
Travelling expenses	364	484
Other expenses	4,816	5,506
	<u>153,303</u>	<u>201,657</u>

5. INCOME TAX CREDIT

The amount of income tax credit credited to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Current income tax:		
Hong Kong profits tax		
Under provision in prior years	606	–
Macau complementary tax	–	50
	<u>606</u>	<u>50</u>
Deferred income tax	<u>(4,960)</u>	<u>(2,666)</u>
Income tax credit	<u>(4,354)</u>	<u>(2,616)</u>

(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% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 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% (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% (2022: 12%) on the taxable income above Macau Pataca (“**MOP**”) 600,000 (approximately HK\$582,000) of the Group’s operations in Macau.

The income tax credit for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	HK\$’000	HK\$’000
Loss before income tax	<u>(40,259)</u>	<u>(13,815)</u>
Tax calculated at the applicable tax rates	(5,956)	(2,649)
Expenses not deductible for tax purpose	1,022	986
Income not subject to tax	(2)	(970)
Under provision in prior years	606	–
Others	<u>(24)</u>	<u>17</u>
Income tax credit	<u>(4,354)</u>	<u>(2,616)</u>

6. DIVIDENDS

No dividend was declared or paid by the Company during the year ended 31 December 2023 (2022: Nil).

7. BASIC AND DILUTED LOSS PER SHARE

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

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company (in HK\$’000)	<u>(35,905)</u>	<u>(11,199)</u>
Weighted average number of ordinary shares in issue	<u>162,250,000</u>	<u>162,250,000</u>
Basic loss per share (HK cents per share)	<u>(22.13)</u>	<u>(6.90)</u>

Diluted loss per share is equal to the basic loss per share since the Company has no dilutive potential shares during the year ended 31 December 2023 (2022: Nil).

8. CONTRACT ASSETS

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Construction contracts	81,963	123,288
Less: Provision for impairment loss allowance	<u>(13,150)</u>	<u>(1,053)</u>
	<u>68,813</u>	<u>122,235</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. Included in contract assets are retention receivables. Retention receivables arise from the Group's construction project and are held by customers in order to provide the customers with assurance that the Group will complete its obligations satisfactorily under the contracts, rather than to provide financing to the customers. They are generally settled within a period ranging from one to two years upon the completion of construction work. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of payment certificates issued by the customers when such right of collections becomes unconditional other than the passage of time.

At the end of the reporting period, the contract assets that are expected to be recovered after more than 12 months are HK\$20,100,000 (2022: HK\$18,973,000), which represented the retention receivables. The remaining contract assets are expected to be recovered within 12 months.

The movements of contract assets (before loss allowance and excluding those arising from increases and decrease both occurred within the same year) from contracts with customers within HKFRS 15 during the years are as follows:

	2023	2022
	HK\$'000	HK\$'000
At 1 January	123,288	118,403
Transferred to trade receivables	(36,280)	(27,007)
Recognition of revenue	6,162	31,892
Write-off of contract assets (<i>Note</i>)	<u>(11,207)</u>	<u>–</u>
At 31 December	<u>81,963</u>	<u>123,288</u>

Note: During the year ended 31 December 2023, contract assets are written off upon finalisation of projects with customers which the management of the Group considered that there is no reasonable expectation of recovery on certain construction work completed by the Group.

Movements in the loss allowance on contract assets are as follow:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	1,053	1,042
Provision for impairment loss	12,098	15
Exchange differences	<u>(1)</u>	<u>(4)</u>
At 31 December	<u><u>13,150</u></u>	<u><u>1,053</u></u>

The retention receivables (net of loss allowance) to be settled, based on the expiry of retention period, at the end of the reporting period are:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	6,252	16,700
After one year	<u>20,100</u>	<u>18,973</u>
	<u><u>26,352</u></u>	<u><u>35,673</u></u>

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>Note i</i>)	34,420	35,059
Less: Provision for impairment loss allowance	<u>(2,328)</u>	<u>(2,203)</u>
	32,092	32,856
Other receivables and deposits (<i>Note ii</i>)	998	1,323
Prepayments	<u>1,338</u>	<u>1,487</u>
	<u><u>34,428</u></u>	<u><u>35,666</u></u>

(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:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
0 to 30 days	10,491	11,453
31 to 60 days	6,386	17,069
61 to 90 days	1,294	740
91 to 180 days	4,055	–
181 to 365 days	6,272	–
Over 1 year	3,594	3,594
	<u>32,092</u>	<u>32,856</u>

The fair value of trade receivables approximate their carrying values.

The carrying amounts of trade receivables are denominated in the following currencies:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
HK\$	27,523	23,026
MOP	4,569	9,830
	<u>32,092</u>	<u>32,856</u>

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed periodically. Management of the Group closely monitors the credit quality of trade receivables and considers the majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

Movements of the provision for impairment loss allowance on trade receivables are as follows:

	2023	2022
	HK\$'000	HK\$'000
At 1 January	2,203	2,008
Impairment loss recognised	126	205
Exchange differences	(1)	(10)
At 31 December	<u>2,328</u>	<u>2,203</u>

(ii) **Other receivables and deposits**

The fair value of other receivables and deposits approximate their carrying values.

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

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Pledged bank deposits	7,102	7,000
Restricted bank deposits	2,306	2,242
	9,408	9,242
Cash and cash equivalents	6,014	12,047
Bank overdrafts (<i>Note 12</i>)	(9,975)	(9,555)
	(3,961)	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 at 31 December 2023 (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 4.01% to 4.35% per annum at 31 December 2023 (2022: 0.125% to 3.18% per annum) (*Note 14*).

The carrying amounts of pledged and restricted bank deposits and cash and cash equivalents (net of bank overdrafts) approximate their fair values and are denominated in the following currencies:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
HK\$	5,050	11,507
MOP	397	227
	5,447	11,734

11. TRADE AND RETENTION PAYABLES

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade payables	24,616	26,048
Retention payables	<u>6,412</u>	<u>14,815</u>
	<u>31,028</u>	<u>40,863</u>

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

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
0 to 30 days	9,909	12,654
31 to 60 days	3,916	5,470
61 to 90 days	2,729	3,513
91 to 180 days	4,650	3,077
181 days to 1 year	1,226	–
Over 1 year	<u>2,186</u>	<u>1,334</u>
	<u>24,616</u>	<u>26,048</u>

Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts, normally one year from the completion date of the respective project.

The retention payables are expected to be settled, based on the expiry date of the defect liability period, at the end of the reporting period as follows:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Due within one year	3,883	7,387
Due after one year	<u>2,529</u>	<u>7,428</u>
	<u>6,412</u>	<u>14,815</u>

The carrying amounts of trade and retention payables approximate their fair values and are denominated in the following currencies:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
HK\$	24,438	32,903
MOP	<u>6,590</u>	<u>7,960</u>
	<u>31,028</u>	<u>40,863</u>

12. BANK BORROWINGS

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Secured:		
– Bank borrowings	17,360	28,798
– Bank overdrafts	<u>9,975</u>	<u>9,555</u>
	<u>27,335</u>	<u>38,353</u>

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:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
On demand or within one year	<u>27,335</u>	<u>38,353</u>

The bank borrowings at 31 December 2023 carried interest either at 2.5% below Hong Kong Prime Rate or at Hong Kong Prime Rate plus interest rate at 0.5% (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 6.625% per annum (2022: 5.25% to 6.125% per annum). The bank overdrafts at 31 December 2023 carried interest at Hong Kong Prime Rate and the effective interest rate is ranging from 5.875% to 6.125% per annum (2022: 5.25% to 5.875% per annum). The Group's bank borrowings are denominated in HK\$.

At 31 December 2023, a bank borrowing is secured by a corporate guarantee of HK\$47,971,000 given by the Company, by personal guarantee of a director, Mr. Chung Chi Keung (“**Mr. Chung**”) of HK\$30,000,000 and the property held by a director, Mr. Chung. Another bank borrowing is secured by personal guarantee of a director, Mr. Chung of HK\$9,000,000.

At 31 December 2022, the bank borrowings were secured by a corporate guarantee of HK\$57,971,000 as given by the Company, by personal guarantee of a director, Mr. Chung of HK\$30,000,000 and a former shareholder of 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:

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Within one year	18,833	38,353
1 to 2 years	880	–
2 to 5 years	2,838	–
Over 5 years	4,784	–
	<u>27,335</u>	<u>38,353</u>

13. 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 (<i>Note a</i>)	HK\$0.03	<u>(75,000,000,000)</u>	<u>–</u>
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>HK\$0.04</u>	<u>25,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 January 2022	HK\$0.01	649,000,000	6,490
Effect of share consolidation (<i>Note a</i>)	HK\$0.03	<u>(486,750,000)</u>	<u>–</u>
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>HK\$0.04</u>	<u>162,250,000</u>	<u>6,490</u>

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.

14. CONTINGENCIES

	At 31 December	
	2023	2022
	HK\$'000	HK\$'000
Performance bonds (<i>Note a</i>)	2,737	2,737
Corporate guarantee (<i>Note b</i>)	<u>13,491</u>	<u>13,491</u>

Note:

- (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 Groups 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 years ended 31 December 2023 and 2022, no call was made on any performance bonds of the Group. Typically, the estimated consideration is not constrained for revenue recognition.
- (b) At 31 December 2023 and 2022, the Group provided corporate guarantee amounted to approximately HK\$13,491,000 to one customer as an indemnity for three construction contracts. During the years ended 31 December 2023 and 2022, no corporate guarantee was being enforced. Typically, the estimated consideration is not constrained for revenue recognition.

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.

With rising geopolitical conflicts and tensions, soaring interest rate, inflationary pressure and challenges associated with post-pandemic economic recovery in both Mainland China and Hong Kong, the business environment in 2023 continued to be challenging and overall market sentiment had remained weak. During the Relevant Period, the Group's performance has been impacted by skilled labour shortage, high raw material and labour costs, fierce competition in tendering process and over-run.

During the Relevant Period, the Group recorded a loss of approximately HK\$35.9 million as compared to a loss of approximately HK\$11.2 million in the corresponding period in 2022. The increase in the net loss was primary attributable to (i) a drop in number of ongoing projects undertaken by the Group which were revenue generating during the Relevant Period which drove down the Group's revenue recognised during the Relevant Period; (ii) the absence of the non-recurring one-off COVID-19 relief and subsidies of approximately HK\$5.6 million from the Hong Kong and Macau governments; (iii) the write-off of contract assets of approximately HK\$11.2 million as a result of the agreement of final accounts after negotiation with customers for three projects located at Chek Lap Kok, Sha Tin and Taipa in Macau; and (iv) the recognition for provision of impairment losses on trade receivables and contract assets of approximately HK\$12.2 million. Despite the increase in net loss during the Relevant Period, the Group has stayed vigilant and pro-active, and has succeeded in securing new projects with sizeable contract sum. During the first half of 2023, amongst other projects, a new project was awarded to the Group with an initial contract sum exceeding HK\$182 million. This marks a new business milestone in the development of the Group as this represents the largest contract in terms of contract sum the Group has ever been awarded in Hong Kong. The Group will continue to regularly and closely monitor the progress of its on-going projects and will continue to identify suitable tender opportunities and submit tenders for potential projects to maximise the Group's profits and return to its shareholders.

Looking forward to 2024, in the face of the aforesaid challenges and the prevailing macroeconomic landscape, the Group holds a cautious view on the recovery of the construction sector and the financial results of the Group for the year ending 31 December 2024 may potentially be impacted. Nonetheless, the Board remained dedicated to strengthening the Group's financial performance by bolstering up our tendering strategies in order to secure new projects, optimising utilisation and operational efficiency and seeking other potential investment opportunities.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately HK\$69.4 million, from approximately HK\$184.0 million for the year ended 31 December 2022 to approximately HK\$114.6 million for the Relevant Period, representing a decrease of approximately 37.7%. In particular, while the Group recorded (i) an increase in revenue of approximately HK\$19.8 million from new projects (in particular a new project located at Kai Tak and a new project located at Tseung Kwan O which collectively contributed to an increase in revenue of approximately HK\$19.7 million); and (ii) an increase in revenue of approximately HK\$15.7 million due to the increase in the amount of work under our existing projects as compared with the year ended 31 December 2022 (in particular, a project located at Kai Tak and a project located at Taipa in Macau), the aforesaid increments were offset by (i) a decrease in revenue of approximately HK\$46.3 million resulting from the completion of certain projects during the Relevant Period; and (ii) a decrease in revenue of approximately HK\$58.6 million due to the decrease in the amount of work under our existing projects as compared with the year ended 31 December 2022 (in particular, another project located at Kai Tak and another project located at Taipa in Macau together accounted for a decrease in revenue of approximately HK\$42.2 million).

Cost of Sales

Our cost of sales decreased from approximately HK\$183.5 million for the year ended 31 December 2022 to approximately HK\$111.5 million for the Relevant Period, representing a decrease of approximately 39.2% 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 HK\$2.6 million from approximately HK\$0.5 million for the year ended 31 December 2022 to approximately HK\$3.1 million for the Relevant Period. The gross profit margin increased from approximately 0.3% for the year ended 31 December 2022 to approximately 2.7% 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 an existing project in Kai Tak (which recorded a relatively higher gross profit margin for the Relevant Period) to our total revenue from approximately 31.5% for the year ended 31 December 2022 to approximately 57.4% for the Relevant Period.

Provision of Impairment Losses on Trade Receivables and Contract Assets, Net

Provision of impairment losses on trade receivables and contract assets (net) of approximately HK\$12.2 million was recorded in relation to (a) the expected credit losses on the contract assets in respect of two projects located at Taipa in Macau and one project located in Hong Kong that have been due for at least three years in which the Company was doubtful in recovering the contractual cash flows and there was a high uncertainty of recovery, after taking into account factors such as the external economic environment, the significant increase in credit risk and the pace of the collections of customers' payment; and (b) impairment arising from the project located in Macau (the "**Affected Project**") as mentioned in the announcement of the Company dated 12 March 2024. Based on recent communication with the customer of the Affected Project (the "**Direct Customer**"), the Direct Customer has obtained a final arbitration award against the main-contractor of the Affected Project. It is expected that upon enforcement of the final award by the Direct Customer, it is highly probable that the Group can recover a total sum of approximately HK\$29.1 million arising from the Affected Project from the Direct Customer. In this connection, the Company recorded an impairment loss on contract assets in respect of the Affected Project of approximately HK\$1.3 million during the Relevant Period.

Write-off of Contract Assets

Write-off of contract assets of approximately HK\$11.2 million was recorded as a result of the finalisation of projects account with customers which the Group has no reasonable expectation of recovery on certain construction work completed by the Group after negotiating with customers for three projects located at Chek Lap Kok, Sha Tin and Taipa in Macau. For the project at Chek Lap Kok, work done performed by the Group as certified by the external surveyor amounted to approximately HK\$41.3 million. After negotiation with the customer, total work done of approximately HK\$35.3 million was reached with reference to the final account and thus written off of contract assets in respect of the work done of approximately HK\$6.0 million was recognised during the Relevant Period. For the project at Shatin, work done performed by the Group as certified by the external surveyor amounted to approximately HK\$99.3 million. After negotiation with the customer, an agreement of final account for total work done of approximately HK\$94.9 million was reached and thus written off of contract assets in respect of the work done of approximately HK\$4.4 million was recognised during the Relevant Period. For the project at Taipa in Macau, after negotiation with the customer for the final account, contract asset in respect of retention money of approximately HK\$0.8 million was written off.

Administrative Expenses

Our administrative expenses increased by approximately HK\$0.5 million, or approximately 2.8%, from approximately HK\$17.9 million for the year ended 31 December 2022 to approximately HK\$18.4 million for the Relevant Period, mainly attributable to the increase in the employee benefit expenses.

Income Tax Credit

Our income tax credit increased by approximately HK\$1.8 million, or approximately 69.2%, from approximately HK\$2.6 million for the year ended 31 December 2022 to approximately HK\$4.4 million for the Relevant Period, mainly attributable to the combined effect of (i) the increase in the loss before tax; and (ii) the absence of the tax credit attributable to the non-taxable subsidies received by the Group from the Hong Kong and Macau governments for the Relevant Period as compared with the year ended 31 December 2022.

Loss for the Year

As a result of the foregoing, our loss increased by approximately HK\$24.7 million from approximately HK\$11.2 million for the year ended 31 December 2022 to approximately HK\$35.9 million for the Relevant Period.

Liquidity and Financial Resources

As at 31 December 2023, the Group had total assets of approximately HK\$130.8 million (2022: approximately HK\$186.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$65.1 million (2022: approximately HK\$84.6 million) and approximately HK\$65.7 million (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\$27.3 million as at 31 December 2023. Current ratio decreased from 2.1 times as at 31 December 2022 to approximately 1.8 times as at 31 December 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 year-end date, increased from approximately 37.9% as at 31 December 2022 to approximately 43.2% as at 31 December 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. 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 21 January 2022, 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 were consolidated into one (1) consolidated share of par value HK\$0.04 each in the share capital of the Company.

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

Capital Commitments

As at 31 December 2023 and 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 announcement, the Group did not have any plans for material investments or capital assets as at 31 December 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

As disclosed in the 2022 annual report (for more details, please refer to the management discussion and analysis section headed “**Litigation**”), a wholly-owned subsidiary of the Company was involved in a legal proceeding. Court hearings were held on 4 September 2023, 15 September 2023 and 13 October 2023. No judgment has been handed down as at the date of this announcement. The Company will keep its shareholders and investors informed of any material development in the Litigation.

Contingent Liabilities

Save as disclosed in note 14 of the notes to this announcement, as at 31 December 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 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 nor commit to any financial instrument to hedge its foreign exchange exposure during the Relevant Period.

Pledge of Assets

Save for the pledged bank deposits as disclosed in note 10 of the notes to this announcement, as at 31 December 2023 and 2022, the Group did not have other pledge of assets.

Employees and Remuneration Policies

As at 31 December 2023, the Group employed a total of 165 (31 December 2022: 230) employees, of whom 120 (31 December 2022: 170) were labour workers nominated by subcontractors. The decrease in the number of employees was mainly attributable to the decrease of labour workers nominated by subcontractors resulting from the substantial completion of certain sizable projects and the decrease in the number of projects on hand as at 31 December 2023. 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\$22.7 million for the Relevant Period (2022: approximately HK\$27.2 million).

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

Events after the Reporting Period

No significant events have taken place subsequent to 31 December 2023 and up to the date of this announcement.

COMPETING INTEREST

The Directors are not aware of any business or interest of the Directors or the Controlling Shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the 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 C1 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 roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chung is currently the chairman of the Board and the chief executive officer of the Company, responsible for formulating the overall business strategies and overseeing the business and operation of the Group. Considering that Mr. Chung has been responsible for the overall management and operation of the Group since its inception, the Board believes that it is in the best interest of the Group to have Mr. Chung taking up both roles for effective management and business development.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 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 in project schedule or defects of the works of the suppliers and subcontractors of the Group could adversely affect its operations and financial results;
- (v) reliance on major customers for a significant portion of the Group's revenue may expose the Group to credit and liquidity risks of such major customers and may have 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

DIVIDENDS

The Board did not recommend the payment of a final dividend in respect of both years ended 31 December 2023 and 2022.

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 audited consolidated financial statements of the Group for the Relevant Period and this announcement had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars on this preliminary announcement.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The annual general meeting (“AGM”) for the financial year 2023 of the Company is scheduled to be held on Thursday, 6 June 2024, the notice of the AGM together with the 2023 Annual Report will be published on the Company’s website at www.wingfunggroup.com and the Stock Exchange’s website at www.hkexnews.hk and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 31 May 2024 to Thursday, 6 June 2024, both days inclusive, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 30 May 2024.

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

Hong Kong, 26 March 2024

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 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 announcement will also be published on the Company’s website at www.wingfunggroup.com.