

TARGET

Intelligence Report

VOLUME XXIV No. 103

T H U R S D A Y

May 19, 2022

WING FUNG GROUP ASIA LTD: ONE SHOULD NOT EXPECT TOO MUCH FROM THIS COMPANY'S MANAGEMENT

How materially Wing Fung Group Asia Ltd has been mauled by the effects of the termination notice, dated November 29, 2021, in respect of that which has been given the nomenclature, '*the Affected Project*', only time will tell, but, on scanning the Company's announcement, dated Wednesday, December 1, 2021, it is quite likely to come to pass that the damage is unlikely to be not especially friendly to the Company's financials.

On July 23, 2020, the Affected Project, as stated plainly by Mr Chung Chi Keung (鍾志強), the Chairman of the Board of Directors of Wing Fung Group Asia Ltd (榮豐集團亞洲有限公司) (Code: 8526, The Growth Enterprise Market [the GEM], The Stock Exchange of Hongkong Ltd), was '*the largest project the Group has on hand in terms of contract sum.*'

The following is a verbatim copy of the complete two key paragraphs of this announcement, headlined '**BUSINESS UPDATE**':

'DELAY OF A PROJECT IN MACAU

'The Group has received written notice from the customer of one of its on-going projects located in Macau (the "Affected Project") directing suspension of works for 180 calendar days from 31 July 2020 (the "Work Suspension"). The Affected Project, with a contract sum of over MOP¹ 170 million, is the largest project the Group has on hand in terms of contract sum. The Affected Project commenced work in September 2019 and as a result of the Work Suspension, there will be delay to the completion of the Affected Project which was originally expected to be completed in April 2021. The revenue contribution of the Affected Project in the second half of year 2020 may therefore decline. Nonetheless, the board of directors of the Company (the "Board") considers that it is premature to estimate the full impact of the Work Suspension to the financials of the Group at this time.

'Other than the Affected Project, the work of all other on-going projects of the Group are progressing as scheduled and the pipeline of projects of the Group remains sufficient. 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 maximize the Group's profits and return to its shareholders. The Group will also observe the development of the COVID-19 outbreak and assess its impact on the operations and financial performance of the Group, and will make further announcement(s) as and when appropriate.'

Note ¹: The Macau pataca, or MOP, is the legal currency of the **Macau Special Administrative Region (MSAR)** of the **People's Republic of China**.

On Friday, October 15, 2021, Chairman Chung Chi Keung had this to say in an announcement, headlined:

***'INSIDE INFORMATION
(I) PROFIT WARNING AND (II) BUSINESS UPDATE'***

'(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 ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*