

# WAC Holdings Limited



(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8619

**2019**

First Quarterly Report

# 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 of the Stock Exchange 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 WAC Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) 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. 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.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.wcce.hk](http://www.wcce.hk).*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Dr. Chan Yin Nin (*Chairman*)  
Mr. Kwong Po Lam (*Managing Director*)  
Ms. Su Xiaoyan (*appointed on 6 June 2019*)

### Independent Non-Executive Directors

Ms. Chu Moune Tsi, Stella  
Mr. Choy Wai Shek, Raymond, *MH, JP*  
Mr. Sze Kyran, *MH*

## COMPANY SECRETARY

Mr. Chan Kwok Wai

## COMPLIANCE OFFICER

Dr. Chan Yin Nin

## AUTHORISED REPRESENTATIVES

Dr. Chan Yin Nin  
Mr. Chan Kwok Wai

## AUDIT COMMITTEE

Ms. Chu Moune Tsi, Stella (*Chairlady*)  
Mr. Choy Wai Shek, Raymond, *MH, JP*  
Mr. Sze Kyran, *MH*

## REMUNERATION COMMITTEE

Mr. Sze Kyran, *MH* (*Chairman*)  
Ms. Chu Moune Tsi, Stella  
Mr. Choy Wai Shek, Raymond, *MH, JP*  
Dr. Chan Yin Nin  
Mr. Kwong Po Lam

## NOMINATION COMMITTEE

Mr. Choy Wai Shek, Raymond, *MH, JP*  
(*Chairman*)  
Ms. Chu Moune Tsi, Stella  
Mr. Sze Kyran, *MH*  
Dr. Chan Yin Nin  
Mr. Kwong Po Lam

## COMPLIANCE ADVISER

Ample Capital Limited

## AUDITOR

Wellink CPA Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Floor 9  
9 Wing Hong Street  
Cheung Sha Wan  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands



# CORPORATE INFORMATION

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

CMB Wing Lung Bank Limited  
Industrial and Commercial Bank of  
China (Asia) Limited

## WEBSITE ADDRESS

[www.wcce.hk](http://www.wcce.hk)

## PLACE OF LISTING

GEM of the Stock Exchange

## STOCK CODE

8619

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

	<i>Notes</i>	Three months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	15,350	15,756
Cost of services		(10,487)	(9,924)
<b>Gross profit</b>		<b>4,863</b>	<b>5,832</b>
Other income		393	80
Other (losses)/gains, net		(215)	192
Listing expenses		—	(505)
General and administrative expenses		(6,948)	(4,054)
Finance costs		(40)	(74)
<b>(Loss)/Profit before taxation</b>	5	<b>(1,947)</b>	<b>1,471</b>
Income tax expenses	6	(51)	(347)
<b>(Loss)/Profit for the period</b>		<b>(1,998)</b>	<b>1,124</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		19	82
Other comprehensive income for the period, net of tax		19	82
<b>Total comprehensive (expenses)/income for the period attributable to owners of the Company</b>		<b>(1,979)</b>	<b>1,206</b>
<b>(Loss)/Earnings per share</b>			
— Basic and diluted (HK cents)	8	(0.21)	0.17

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company						Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Legal reserves HK\$'000	Translation reserves HK\$'000	Retained earnings HK\$'000	
At 1 April 2018 (Audited)	10	14,997	647	49	76	12,146	27,925
Profit for the period	—	—	—	—	—	1,124	1,124
Other comprehensive income	—	—	—	—	82	—	82
Total comprehensive income	—	—	—	—	82	1,124	1,206
At 30 June 2018 (Unaudited)	10	14,997	647	49	158	13,270	29,131
At 1 April 2019 (Audited)	9,600	48,760	647	49	165	11,727	70,948
Impact on initial application of HKFRS 16	—	—	—	—	—	(165)	(165)
Restated opening balance under HKFRS 16	9,600	48,760	647	49	165	11,562	70,783
Loss for the period	—	—	—	—	—	(1,998)	(1,998)
Other comprehensive income	—	—	—	—	19	—	19
Total comprehensive income/(expenses)	—	—	—	—	19	(1,998)	(1,979)
At 30 June 2019 (Unaudited)	9,600	48,760	647	49	184	9,564	68,804

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2017 under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The ultimate holding company of the Company is Manning Properties Limited, a company incorporated in the British Virgin Islands (the “BVI”), which is controlled by Dr. Chan Yin Nin (“Dr. Chan”) and Mr. Kwong Po Lam (“Mr. Kwong”). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Floor 9, No. 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company is an investment holding company and its shares were listed on GEM of the Stock Exchange since 17 September 2018. The Group is principally engaged in the provision of comprehensive structural and geotechnical engineering consultancy services.

The unaudited condensed consolidated financial information of the Company is presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2019. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 are consistent with those adopted in the preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2018 and the audited consolidated financial statements of the Group for the year ended 31 March 2019 shown in the 2019 annual report of the Company except for those new and revised HKFRSs and interpretations issued by the HKICPA that are adopted for the first time in the financial statements for the three months ended 30 June 2019.

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 have been prepared under the historical cost convention.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 2. BASIS OF PREPARATION (CONTINUED)

The preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

## 3. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

### HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and related interpretations.

In previous years, the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

Upon the adoption of HKFRS 16, lessees no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee recognises a "lease liability" and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group's accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 3. ADOPTION OF NEW AND REVISED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### HKFRS 16 “Leases” (Continued)

HKFRS 16 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value asset.

Upon the initial application of HKFRS 16, the Group measured the right-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 April 2019.

The following table summarises the impact, net of tax, of transition to HKFRS 16 on the opening balance of retained earnings.

	Impact of adopting HKFRS 16 on opening balance HK\$'000
Retained earnings	
Recognition of interest of lease liabilities and depreciation of right-of-use assets	165
Impact at 1 April 2019	165

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 4. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

The principal activities of the Group are provision of comprehensive structural and geotechnical engineering consultancy services mainly in Hong Kong.

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by services lines is as follows:

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<hr/>		
Disaggregated by major services lines		
– Construction of new properties	8,551	11,397
– Refurbishment/maintenance of existing properties	5,537	3,475
– Others	1,262	884
	<hr/>	<hr/>
	15,350	15,756
	<hr/>	<hr/>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Revenue (Continued)

#### (i) *Disaggregation of revenue (Continued)*

Revenue represents the contract revenue from provision of comprehensive structural and geotechnical engineering consultancy services recognised over the time during the period.

### (b) Segment reporting

The Group currently operates in one single operating segment which is comprehensive structural and geotechnical engineering consultancy services. For the purpose of resources allocation and performance assessment, the chief operating decision makers (“CODM”) (i.e. the directors of the Company) review the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the operation of the Group constitute only one single operating segment. Other than entity-wide information, no further analysis of this single segment is presented.

#### *Geographical information*

Almost all of the Group’s external revenue for the three months ended 30 June 2019 is derived from services rendered in Hong Kong, the place of domicile of the Group’s principal operating entities. Almost all of the non-current assets employed by the Group are located in Hong Kong. Hence, no geographical information is presented.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Three months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(a) Staff costs</b>		
Directors' remuneration	2,425	1,153
Salaries, wages and other benefits	9,976	9,210
Contributions to defined contribution retirement plan, excluding those of Directors	426	309
<b>Total staff costs</b>	<b>12,827</b>	<b>10,672</b>
Less: Amount included in general and administrative expenses	(3,594)	(1,537)
<b>Total staff costs included in cost of services</b>	<b>9,233</b>	<b>9,135</b>
<b>(b) Finance costs</b>		
Interest expenses on bank borrowings	—	74
Interest expenses on lease liabilities	40	—
	<b>40</b>	<b>74</b>
<b>(c) Other items</b>		
Auditor's remuneration (including remuneration for non-audit services)	125	125
Exchange losses, net	45	106
Depreciation of property, plant and equipment	94	62
Depreciation of right-of-use assets	604	—
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	170	(298)
Operating lease charges for office premises	—	697

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 6. INCOME TAX EXPENSES

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax:</b>		
Hong Kong Profits Tax	61	314
Macau Complementary Tax	—	38
	<b>61</b>	<b>352</b>
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences	(10)	(5)
	<b>51</b>	<b>347</b>

### (a) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of a qualifying group entity is taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for the three months ended 30 June 2019 (for the three months ended 30 June 2018: flat rate of 16.5%). The assessable profits of group entities not qualifying for the two-tiered profit tax regime are taxed at a flat rate of 16.5%.

### (b) PRC Enterprise Income Tax

No provision for PRC Enterprise Income Tax has been made as the subsidiary incorporated in the People's Republic of China (the "PRC") has estimated tax losses for the three months ended 30 June 2019 and 2018.

### (c) Macau Complementary Tax

No provision of Macau Complementary Tax has been made for the three months ended 30 June 2019. Macau Complementary Tax is calculated at the rate of 12% on the estimated assessable profits for the three months ended 30 June 2018.

### (d) Cayman Islands and BVI Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2019

## 7. DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 30 June 2019 (for the three months ended 30 June 2018: nil).

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company (HK\$'000)	(1,998)	1,124
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue ('000 Number of shares)	960,000	672,000
Basic and diluted (loss)/earnings per share (HK cents)	(0.21)	0.17

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company and weighted average number of ordinary shares in issue. The number of shares for the purpose of basic (loss)/earnings per share has been retrospectively adjusted for the 671,000,000 shares which were issued pursuant to the Capitalisation Issue (as defined in the Prospectus). In addition, the number of shares for the three months ended 30 June 2018 is calculated on the basis that the shares issued to Manning Properties Limited have been issued since 1 April 2017.

Diluted (loss)/earnings per share for both periods were the same as basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is a construction engineering consultant focusing on the area of comprehensive structural and geotechnical engineering which is mainly provided in Hong Kong. The Group's consultancy services mainly cover: (i) structural engineering; (ii) geotechnical engineering; (iii) certain civil engineering practice areas; and (iv) material engineering.

For structural engineering, it involves loading calculation and stress designs. For geotechnical engineering, it involves calculation of earth surface conditions and assessment of risks posed by site conditions. For certain civil engineering practice areas, it involves infrastructure works (such as drainage). For material engineering, it involves analysing the use of and selecting building materials in construction projects. We also provide some other related services such as Registered Structural Engineers and Authorized Persons (as defined in the prospectus of the Company dated 31 August 2018 (the "Prospectus")) work in relation to alterations and additions works and expert services from time to time as requested by our clients.

During the three months ended 30 June 2019, the Group recorded a decrease in revenue of approximately 2.6% to approximately HK\$15.4 million from approximately HK\$15.8 million for the preceding financial period. The decrease was mainly driven by the decrease of revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties. The Group was focusing on developing business opportunities from existing clients and was looking for increasing the types of consultancy services to be provided to various clients.

Looking forward, although the global economy remains uncertain and market competition is intense, the Directors consider that the expediting and increasing supply of land for residential development is one of the key industrial drivers of the construction engineering consultancy in Hong Kong as well as factors affecting the labour costs and private office rental expenses. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the construction engineering consultancy 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 future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more consultancy engineering service contracts by utilising the net proceeds from the Share Offer (as defined in the Prospectus) to implement our business plans as set out in the Prospectus.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The revenue of the Group decreased from approximately HK\$15.8 million for the three months ended 30 June 2018 to approximately HK\$15.4 million for the three months ended 30 June 2019, representing a decrease of approximately 2.6%. Such decrease was mainly due to the decrease of revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties for the three months ended 30 June 2019. The market competition intensified as our competitors offered their services at lower prices.

### Cost of Services

The cost of services increased from approximately HK\$9.9 million for the three months ended 30 June 2018 to approximately HK\$10.5 million for the three months ended 30 June 2019, representing an increase of approximately 5.7%. Such increase was mainly attributable to the increase in subconsulting charges incurred for the projects that required subconsulting services undertaken by the Group during the three months ended 30 June 2019.

### Gross Profit

Gross profit of the Group decreased by approximately HK\$1.0 million or 16.6% from approximately HK\$5.8 million for the three months ended 30 June 2018 to approximately HK\$4.8 million for the three months ended 30 June 2019. The decrease was mainly caused by the decrease in revenue and increase in subconsulting charges for the three months ended 30 June 2019 as discussed above, with staff costs for professional staff handling our projects, accounting for approximately 88.0% and 92.0% of the cost of services for the three months ended 30 June 2019 and 30 June 2018 respectively. The overall gross profit margin decreased from approximately 37.0% for the three months ended 30 June 2018 to approximately 31.7% for the three months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$2.9 million or 71.4% from approximately HK\$4.0 million for the three months ended 30 June 2018 to approximately HK\$6.9 million for the three months ended 30 June 2019. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, staff training and welfare, depreciation, legal and professional fees, and rent and rates. Such increase was mainly attributable to the (i) payment of one-off discretionary bonus; and (ii) increase in legal and professional fees after the listing of the shares of the Company on GEM of the Stock Exchange on 17 September 2018 (the “Listing”).

## Listing Expenses

During the three months ended 30 June 2018, the Group recognised a non-recurring listing expenses in connection with Listing of approximately HK\$0.5 million.

## Finance costs

Finance costs decreased from approximately HK\$74,000 for the three months ended 30 June 2018 to approximately HK\$40,000 for the three months ended 30 June 2019, representing a decrease of approximately 45.9%. Finance costs represented interest expenses on lease liabilities and interest expenses on bank borrowings for the three months ended 30 June 2019 and 30 June 2018, respectively. Upon adoption of HKFRS 16 on 1 April 2019, the lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liabilities are adjusted for interest and lease payments. As a result, an interest expense on lease liabilities of approximately HK\$40,000 was recognised for the three months ended 30 June 2019.

## Income Tax Expenses

Income tax expenses of the Group decreased by approximately HK\$296,000 or 85.3% from approximately HK\$347,000 for the three months ended 30 June 2018 to approximately HK\$51,000 for the three months ended 30 June 2019 and such decrease was primarily attributable to the decrease in estimated assessable profit of a major operating subsidiary of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(Loss)/Profit for the Period**

Loss for the period of the Group amounted to approximately HK\$2.0 million for the three months ended 30 June 2019 (2018: profit for the period of approximately HK\$1.1 million). The loss was primarily attributable to the (i) payment of one-off discretionary bonus; (ii) increase in legal and professional fees; and (iii) increase in subconsulting charges for the three months ended 30 June 2019 as discussed above.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group has met its liquidity requirements principally through net cash flows generated from its operations and bank borrowings. The Group's principal uses of cash have been, and are expected to continue to be, operational costs. The Directors believe that in the long term, the Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing and/or bank borrowings.

The current ratio decreased from approximately 11.0 times as at 31 March 2019 to 6.5 times as at 30 June 2019. The decrease was mainly due to the (i) decrease in bank and cash balances; and (ii) increase in contract liabilities and lease liabilities as at 30 June 2019.

As at 30 June 2019 and 31 March 2019, the Group had no borrowings. The gearing ratio as at 30 June 2019, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, was 0% mainly due to the funds raised in the Share Offer and the Group's continuous effort to manage its financial leverage. The Directors consider the Group's financial position is sound and strong and the Group has sufficient liquidity to satisfy its funding requirements with available bank and cash balances, and bank credit facilities.

As at 30 June 2019 and 31 March 2019, bank facilities of HK\$2.5 million was secured by the personal guarantees given by Dr. Chan and Mr. Kwong.

# MANAGEMENT DISCUSSION AND ANALYSIS

## TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the current period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 17 September 2018. There has been no change in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this report, the Company's authorised share capital was HK\$15,000,000 divided into 1,500,000,000 shares at par value of HK\$0.01 each and the number of its issued ordinary shares was 960,000,000.

## COMMITMENTS

The operating lease commitments of the Group as at 31 March 2019 were primarily related to the leases of its office premise. The Group's operating lease commitments amounted to approximately HK\$4.7 million as at 31 March 2019, and there was no such commitments as at 30 June 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2019, save for the business plans as set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the three months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. In addition, the Group's borrowings and bank balances are mainly denominated in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## CHARGE ON GROUP'S ASSETS

The Group did not have any pledged assets as at 30 June 2019 (31 March 2019: nil).

## EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after 30 June 2019.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed a total of 124 employees (31 March 2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$12.8 million for the three months ended 30 June 2019 (30 June 2018: approximately HK\$10.7 million). Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. The remuneration packages mainly comprise basic salaries, medical coverage, overtime allowance, travelling allowance and discretionary bonuses based on individual performance, which are offered to employees as recognition of and reward for their contribution.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS

The shares of the Company were successfully listed on GEM of the Stock Exchange on 17 September 2018. The net proceeds from the Share Offer received by the Company was approximately HK\$26.9 million (after deduction of listing expenses). Up to 30 June 2019, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus as follows:

Business strategies	Amount designated in the Prospectus HK\$' million	Amount utilised up to 30 June 2019 HK\$' million	Unutilised balance as at 30 June 2019 HK\$' million
Support and expand our structural and geotechnical engineering team	7.9	1.4	6.5
Grow and develop our civil engineering team	7.9	0.9	7.0
Expand our office infrastructure and BIM upgrade	5.2	—*	5.2
Support and expand our material engineering and building repairs area of service	4.7	—	4.7
General working capital	1.2	1.2	—
	26.9	3.5	23.4

Note:\* Less than HK\$0.1 million



# MANAGEMENT DISCUSSION AND ANALYSIS

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and the Associated Corporation

As at 30 June 2019, interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Long position in the Company's shares*

Name of Directors	Capacity/Nature of interest	Number and class of shares	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(Note 2)</sup>
Dr. Chan Yin Nin ("Dr. Chan") <sup>(Note 1)</sup>	Interest in a controlled corporation	471,072,000 ordinary shares	49.07%
Mr. Kwong Po Lam ("Mr. Kwong") <sup>(Note 1)</sup>	Interest in a controlled corporation	471,072,000 ordinary shares	49.07%

# MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

- (1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 49.07% of the total share capital of the Company. Dr. Chan and Mr. Kwong, as the Concerted Group, restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 471,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 960,000,000 shares as at 30 June 2019.

*(ii) Interests in shares of the associated corporation of the Company*

Name of Directors	Name of associated corporation	Capacity/Nature of interest	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation
Dr. Chan	Manning Properties Limited	Beneficial owner	7,500 ordinary shares	68.2%
Mr. Kwong	Manning Properties Limited	Beneficial owner	3,500 ordinary shares	31.8%

*Note:* Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds 471,072,000 shares of the Company, representing approximately 49.07% of the total share capital of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

## B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2019, interests and short positions of the person (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity/ Nature of interest	Number and class of shares	Long/short position	Approximate percentage of shareholding in the total issued share capital of the Company <i>(Note 4)</i>
Manning Properties Limited <i>(Note 1)</i>	Beneficial owner	471,072,000 ordinary shares	Long	49.07%
Ms. Julia Gower Chan <i>(Note 2)</i>	Interest of spouse	471,072,000 ordinary shares	Long	49.07%
Ms. Leung Kwai Ping <i>(Note 3)</i>	Interest of spouse	471,072,000 ordinary shares	Long	49.07%
Ms. Zhang Yanhong	Beneficial owner	91,298,000 ordinary shares	Long	9.51%

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Notes:*

- (1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 49.07% of the total share capital of the Company. As the Concerted Group, Dr. Chan and Mr. Kwong restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 471,072,000 shares held by Manning Properties Limited.
- (2) Ms. Julia Gower Chan is the spouse of Dr. Chan. By virtue of the SFO, Ms. Julia Gower Chan is deemed to be interested in the shares of the Company interested by Dr. Chan.
- (3) Ms. Leung Kwai Ping is the spouse of Mr. Kwong. By virtue of the SFO, Ms. Leung Kwai Ping is deemed to be interested in the shares of the Company interested by Mr. Kwong.
- (4) Based on the number of issued share of 960,000,000 shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and the Associated Corporation” above, had notified the Company of an interest or short position in the shares or underlying shares 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.

## **COMPETING AND CONFLICTS OF INTERESTS**

The Directors are not aware of any business or interest of the Directors or the controlling shareholders 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 three months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTEREST OF COMPLIANCE ADVISER

As at 30 June 2019, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2019.

## CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2019 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules with an exception of deviation from code provision A.1.8 as explained below:

Under code provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board has not arranged an insurance cover in respect of Directors' liability as the Board considers that the industry, business and financial situation of the Company are currently stable, and the Company has established sufficient internal control system. The Board will review the need for the insurance cover from time to time.

The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of Shareholders and other stakeholders of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and the Company's code of conduct regarding securities transactions by the Directors during the three months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 June 2019.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 27 August 2018 (the “Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted under the Scheme during the three months ended 30 June 2019 and there were no outstanding share options as at 30 June 2019.

## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 27 August 2018 with its written terms of reference in compliance with the GEM Listing Rules and in accordance with the provisions set out in the CG Code which is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and accounts, interim report and quarterly reports before submission to the Board. The Audit Committee consists of three members, namely Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran, all being independent non-executive Directors. Ms. Chu Moune Tsi, Stella currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019.

By order of the Board  
WAC Holdings Limited  
Dr. Chan Yin Nin  
*Chairman*

Hong Kong, 13 August 2019

*As at the date of this report, the Board comprises Dr. Chan Yin Nin, Mr. Kwong Po Lam and Ms. Su Xiaoyan as executive Directors; and Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran as independent non-executive Directors.*