

WAC Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8619

2020

THIRD QUARTERLY REPORT



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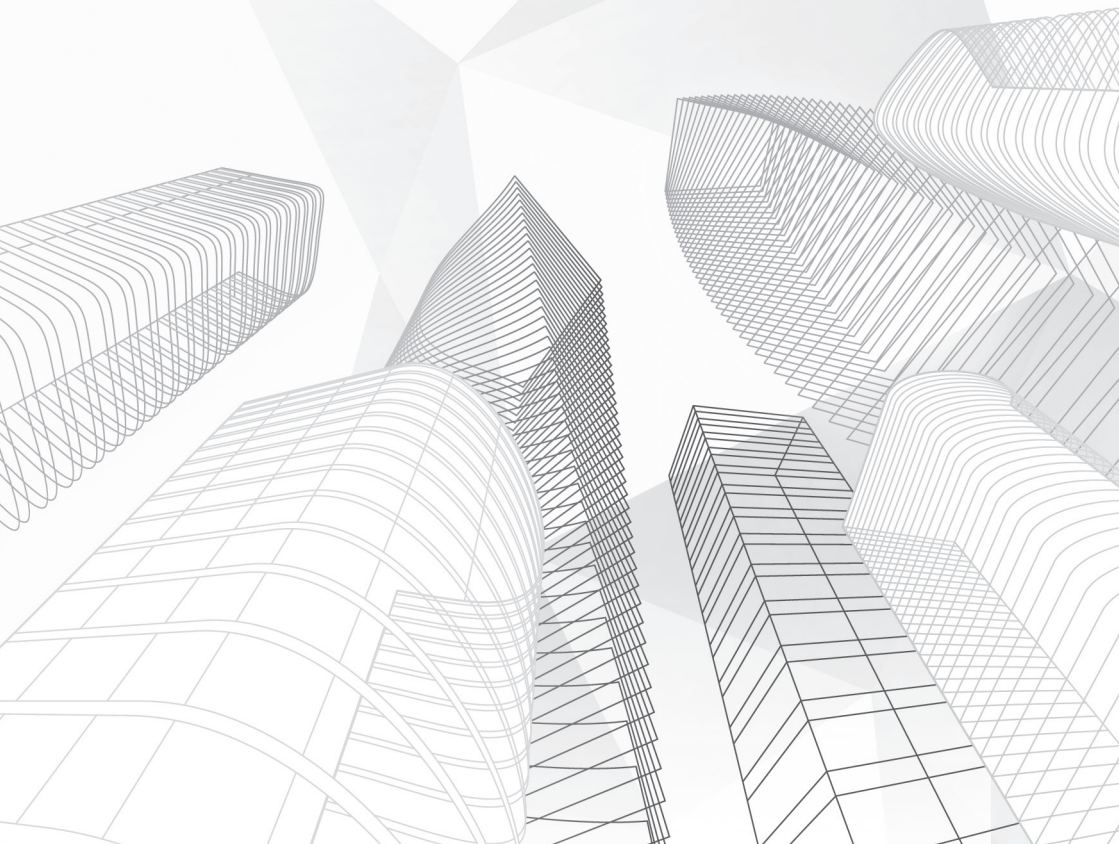
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This report, for which the directors (the “Director(s)”) of WAC Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the 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 for at least seven days from the date of its publication and the Company’s website at 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

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

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 nine months ended 31 December 2020 together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	20,803	16,111	57,455	46,672
Cost of services		(13,117)	(10,521)	(35,373)	(30,809)
Gross profit		7,686	5,590	22,082	15,863
Other income		2,574	303	5,736	864
Other gains and losses, net		(705)	(523)	(2,121)	(1,484)
General and administrative expenses		(8,254)	(5,961)	(18,249)	(18,182)
Finance costs		(68)	(40)	(113)	(117)
Profit/(loss) before taxation	5	1,233	(631)	7,335	(3,056)
Income tax credit/(expenses)	6	513	(40)	(595)	(195)
Profit/(loss) for the period		1,746	(671)	6,740	(3,251)
Other comprehensive (expenses)/ income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(10)	(29)	(104)	44
Other comprehensive (expenses)/income for the period, net of tax		(10)	(29)	(104)	44
Total comprehensive income/ (expenses) for the period attributable to owners of the Company		1,736	(700)	6,636	(3,207)
Earnings/(loss) per share					
– Basic and diluted (HK cents)	8	0.18	(0.07)	0.70	(0.34)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to 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 2019 (Audited)	9,600	48,760	647	49	165	11,727	70,948
Impact on initial application of HKFRS 16	—	—	—	—	—	(165)	(165)
At 1 April 2019 (Restated)	9,600	48,760	647	49	165	11,562	70,783
Loss for the period	—	—	—	—	—	(3,251)	(3,251)
Other comprehensive income	—	—	—	—	44	—	44
Total comprehensive income/(expense)	—	—	—	—	44	(3,251)	(3,207)
At 31 December 2019 (Unaudited)	9,600	48,760	647	49	209	8,311	67,576
At 1 April 2020 (Audited)	9,600	48,760	647	49	250	4,598	63,904
Profit for the period	—	—	—	—	—	6,740	6,740
Other comprehensive expense	—	—	—	—	(104)	—	(104)
Total comprehensive (expense)/income	—	—	—	—	(104)	6,740	6,636
At 31 December 2020 (Unaudited)	9,600	48,760	647	49	146	11,338	70,540

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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 is Manning Properties Limited, a company incorporated in the British Virgin Islands (“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 have been listed on GEM of the Stock Exchange since 17 September 2018. The Group is principally engaged in provision of comprehensive structural and geotechnical engineering consultancy services.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand, 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 nine months ended 31 December 2020 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.

The preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 is in conformity with the requirements of the HKFRSs 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 accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 are consistent with those adopted in the preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 and the audited consolidated financial statements of the Group for the year ended 31 March 2020 shown in the 2020 annual report of the Company except as described below.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION (CONTINUED)

Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised as income in the consolidated statement of profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised as income in the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets. Government grants that are not related to future costs nor purchase of property, plant and equipment are recognised directly as income in the consolidated statement of profit or loss.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020 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 HONG KONG FINANCIAL REPORTING STANDARDS

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 2020. The adoption of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or the disclosures set out in these unaudited condensed consolidated financial statements. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

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

	Three months ended		Nine months ended	
	31 December	2019	31 December	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers by major services lines				
– Construction of new properties	12,658	10,759	35,406	27,507
– Refurbishment/maintenance of existing properties	3,953	4,443	10,365	15,437
– Others	4,192	909	11,684	3,728
	20,803	16,111	57,455	46,672
Timing of revenue recognition:				
– Services recognised over time	20,784	16,111	57,330	46,672
– Sales of goods recognised at a point in time	19	–	125	–
	20,803	16,111	57,455	46,672

Revenue mainly represents the contract revenue from provision of comprehensive structural and geotechnical engineering consultancy services recognised over time during the periods ended 31 December 2020 and 2019.

Others represents (i) revenue from provision of expert witness services and other minor works services recognised over time during the periods ended 31 December 2020 and 2019; (ii) revenue from provision of e-commerce online platform consulting services recognised over time during the period ended 31 December 2020; and (iii) revenue from sales of goods recognised at a point in time during the period ended 31 December 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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 (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 Group presents only one single operating segment.

Geographical information

Almost all of the Group's external revenue for the nine months ended 31 December 2020 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 NINE MONTHS ENDED 31 DECEMBER 2020

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Staff costs				
Directors' remuneration	4,064	1,411	6,854	5,226
Salaries, wages and other benefits	11,069	9,821	32,316	28,944
Contributions to defined contribution retirement plan, excluding those of Directors	345	411	1,058	1,071
Total staff costs	15,478	11,643	40,228	35,241
Less: Amount included in general and administrative expenses	(3,900)	(2,207)	(7,752)	(7,346)
Total staff costs included in cost of services	11,578	9,436	32,476	27,895
(b) Finance costs				
Interest expenses on bank borrowings	1	—	1	—
Interest expenses on lease liabilities	67	40	112	117
Total finance costs	68	40	113	117
(c) Other items				
Auditor's remuneration (including remuneration for non-audit services)	182	151	617	516
Exchange (gains)/losses, net	(32)	(25)	(82)	61
Depreciation of property, plant and equipment	100	95	314	281
Depreciation of right-of-use assets	699	699	2,097	1,979
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	732	547	2,356	1,422
Bad debts written off	1,312	432	1,312	432
Government grants (<i>Note</i>)	(2,488)	—	(5,074)	—

Note: Being the grants received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region of the People's Republic of China and Macau which are included in "Other income" for the nine months ended 31 December 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2020

6. INCOME TAX (CREDIT)/EXPENSES

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	(527)	48	587	204
PRC Enterprise Income Tax	99	1	99	1
	(428)	49	686	205
Deferred taxation:				
Origination and reversal of temporary differences	(85)	(9)	(91)	(10)
	(513)	40	595	195

(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 nine months ended 31 December 2020 and 2019. The assessable profits of group entities not qualifying for the two-tiered profits tax regime are taxed at a flat rate of 16.5%.

(b) PRC Enterprise Income Tax

Provision of PRC Enterprise Income Tax in respect of subsidiaries in the People's Republic of China is calculated at the applicable tax rate on the estimated assessable profits for the period based on existing legislation, interpretations and practises in respect thereof.

(c) Macau Complementary Tax

No provision of Macau Complementary Tax has been made as the subsidiary incorporated in Macau has estimated tax losses for the nine months ended 31 December 2020 and 2019.

(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 NINE MONTHS ENDED 31 DECEMBER 2020

7. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2020 (for the nine months ended 31 December 2019: nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company	1,746	(671)	6,740	(3,251)
Number of shares:				
Weighted average number of ordinary shares in issue ('000)	960,000	960,000	960,000	960,000
Basic and diluted earnings/(loss) per share (HK cents)	0.18	(0.07)	0.70	(0.34)

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company and weighted average number of shares in issue.

Diluted earnings/(loss) per share for those periods were the same as basic earnings/(loss) 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 a construction project. 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.

On 29 April 2020, the Group entered into series of contracts with certain counter parties for establishing a variable interest entity (the "VIE") arrangement, whereby pursuant to the aforesaid contracts, the Group has control over the VIE. Upon the establishment of the VIE arrangement, the financial results of Hangzhou Zhouji Network Technology Limited ("Zhouji Network") was consolidated into the financial statements of the Group as if Zhouji Network became a subsidiary of the Company. The VIE arrangement enables the Group to be involved in a social community-based e-commerce new retail online platform in the PRC.

During the nine months ended 31 December 2020, the Group recorded an increase in revenue of approximately 23.1% to approximately HK\$57.5 million from approximately HK\$46.7 million for the preceding financial period. The increase was mainly due to the increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and provision of e-commerce retail online platform consulting services of approximately HK\$5.4 million and HK\$5.3 million, for the nine months ended 31 December 2020, respectively.

The Group was focusing on developing business opportunities for its engineering consultancy services from existing clients and was looking for increasing the types of consultancy services to be provided to various clients. Looking forward, the business and operating environments of the Group will remain challenging. The Group continues to expand its market share by securing more engineering consultancy service contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to explore the social community-based e-commerce new retail online platform under the VIE arrangement, which could provide a selection of commodities with quality for users and shopping guides for saving money, professional health management solutions and online education solutions.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased from approximately HK\$46.7 million for the nine months ended 31 December 2019 to approximately HK\$57.5 million for the nine months ended 31 December 2020, representing an increase of approximately 23.1%. Such increase was mainly due to the increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and e-commerce retail online platform consulting services of approximately HK\$5.4 million and HK\$5.3 million, for the nine months ended 31 December 2020, respectively.

Cost of Services

The cost of services increased from approximately HK\$30.8 million for the nine months ended 31 December 2019 to approximately HK\$35.4 million for the nine months ended 31 December 2020, representing an increase of approximately 14.8%. Such increase was mainly attributable to the increase in staff costs during the nine months ended 31 December 2020 which was in line with the increase in revenue.

Gross Profit

Gross profit of the Group increased by approximately HK\$6.2 million from approximately HK\$15.9 million for the nine months ended 31 December 2019 to approximately HK\$22.1 million for the nine months ended 31 December 2020, representing an increase of approximately 39.2%. The increased was mainly caused by the increase in revenue for the nine months ended 31 December 2020. The overall gross profit margin increased from approximately 34.0% for the nine months ended 31 December 2019 to approximately 38.4% for the nine months ended 31 December 2020.

Other Income

The other income of the Group for the nine months ended 31 December 2020 and 2019 were approximately HK\$5.7 million and HK\$0.9 million respectively, representing an increase of approximately 563.9%. Increase in other income was mainly attributable to the receipt of government subsidies under the Employment Support Scheme launched by the Government of Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR") of approximately HK\$5.1 million for the nine months ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses, Net

The other gains and losses of the Group for the nine months ended 31 December 2020 and 2019 were approximately HK\$2.1 million and HK\$1.5 million respectively, representing an increase of approximately 42.9%. The increase was mainly attributable to the increase in provision of impairment losses on trade receivables and contract assets for the nine months ended 31 December 2020.

General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$0.1 million or 0.4% from approximately HK\$18.2 million for the nine months ended 31 December 2019 to approximately HK\$18.3 million for the nine months ended 31 December 2020. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, staff training and welfare expenses, depreciation, and legal and professional fees. Such increase was mainly attributable to the net effect of (i) decrease in legal and professional fees; and (ii) provision of discretionary bonus to Directors, for the nine months ended 31 December 2020.

Finance Costs

Finance costs amounted to approximately HK\$0.1 million in both periods, which represented interest expenses on lease liabilities and interest expenses on bank borrowings for both periods.

Income Tax Credit/(Expenses)

Income tax expenses of the Group increased by approximately HK\$0.4 million or 205.1% from approximately HK\$0.2 million for the nine months ended 31 December 2019 to approximately HK\$0.6 million for the nine months ended 31 December 2020. Such increase was consistent with the increase in estimated assessable profits of a major operating subsidiary of the Company.

Profit/(Loss) for the Period

Profit for the period of the Group amounted to approximately HK\$6.7 million for the nine months ended 31 December 2020 (for the nine months ended 31 December 2019: loss of approximately HK\$3.3 million). The increase in profit was primarily attributable to the net effect of (i) increase in gross profit resulting from increase in revenue; (ii) receipt of government subsidies under the Employment Support Scheme launched by the Government of HKSAR; (iii) increase in provision of impairment losses on trade receivables and contract assets; (iv) decrease in legal and professional fees; and (v) provision of discretionary bonus to Directors, for the nine months ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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, applied to 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 7.1 times as at 31 March 2020 to 3.6 times as at 31 December 2020. The decrease was mainly due to the increase in bank borrowings, trade and other payables and contract liabilities as at 31 December 2020.

As at 31 December 2020, the Group had total borrowings of approximately HK\$4.0 million which was repayable within one year (31 March 2020: nil). The gearing ratio as at 31 December 2020, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, increased from 0% as at 31 March 2020 to 5.7% as at 31 December 2020 due to the increase in bank borrowings during the nine months ended 31 December 2020. 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.

For the nine months ended 31 December 2020, the bank borrowings of the Group carried interest at the rate of 5.5% per annum (31 March 2020: nil).

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 Company since then. The share capital of the Company only comprises of ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2020, the Group did not have any capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, save for the business plans 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 nine months ended 31 December 2020, 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 31 December 2020 (31 March 2020: nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

Most of the revenue and expenses of the Group are denominated in Renminbi and Hong Kong dollars, and the borrowings and bank balances of the Group are mainly denominated in Hong Kong dollars. The fluctuation of exchange rate of Renminbi have certain impact on the Group. During the nine months ended 31 December 2020, the Group did not enter into any foreign exchange forward contracts or other hedging instrument to hedge against fluctuations.

CHARGE ON GROUP'S ASSETS

As at 31 December 2020, a general banking facility was granted to a subsidiary of the Company. The general banking facility was secured by a bank deposit of HK\$2.0 million and corporate guarantee from the Company (31 March 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF CORONAVIRUS DISEASE 2019 (“COVID-19”)

The COVID-19 outbreak since early 2020 has exerted certain downward pressure on the overall economy in various countries and regions, including Hong Kong, the People’s Republic of China and Macau. Given the continuous spread of the disease, the Board considers it is impracticable to estimate the financial impact on the Group as at the date when the unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 are authorised to issue. The Board will closely monitor the development of the COVID-19 and continue to evaluate its impact on the business, financial position and operating results of the Group.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there was no significant event after 31 December 2020 which was relevant to the business or financial performance of the Group that come to the attention of the Directors.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 135 employees (31 December 2019: 127 employees). The staff costs, including Directors’ emoluments, of the Group were approximately HK\$40.2 million for the nine months ended 31 December 2020 (31 December 2019: approximately HK\$35.2 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

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress as at 31 December 2020:

Business objective and strategy	Principal business plan and activity as stated in the Prospectus	Actual business progress up to 31 December 2020
Support and expand our structural and geotechnical engineering team	<ul style="list-style-type: none">• Retain the new staff employed• Maintenance of computers and software for additional staff	<ul style="list-style-type: none">• The Group has recruited fourteen new junior to senior level engineering staff and draftsman trainees to handle new projects in the area of structural engineering. Taking into account of the new recruits in 2018, 2019 and 2020, the Group has incurred staff costs of approximately HK\$6.3 million as at 31 December 2020 after the listing of the Company's shares on GEM of the Stock Exchange on 17 September 2018 (the "Listing").• As at 31 December 2020, the Group has purchased new computers and software for new staff in the amount of approximately HK\$0.6 million.
Grow and develop our civil engineering team	<ul style="list-style-type: none">• Retain the new staff employed	<ul style="list-style-type: none">• The Group has recruited six new junior to senior level engineering staff to handle new projects in the area of civil engineering. Taking into account the new recruits in 2018, 2019 and 2020, the Group has incurred staff costs of approximately HK\$1.8 million as at 31 December 2020 after the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS (CONTINUED)

Business objective and strategy	Principal business plan and activity as stated in the Prospectus	Actual business progress up to 31 December 2020
Expand our office infrastructure and building information modelling (the "BIM") upgrade	<ul style="list-style-type: none">• Retain the new staff employed• Upgrade computers and software for existing staff• Minor renovation for office upgrade	<ul style="list-style-type: none">• The Group has recruited one BIM experienced engineer and upgraded computer equipment and server infrastructure.• As at 31 December 2020, the Group has purchased two sets of BIM software licenses and computer equipment amounting to approximately HK\$51,500.• As at 31 December 2020, the Group has paid approximately HK\$40,000 to sponsor its engineering staff to attend BIM training courses held by third parties.• The Group postponed the plan to rent additional office space due to the current outbreak of COVID-19 and the social unrest in Hong Kong.
Support and expand our material engineering and building repairs area of service	<ul style="list-style-type: none">• Retain the new staff employed	<ul style="list-style-type: none">• The Group has recruited one new junior engineering staff to handle new projects in the area of material engineering. The Group has incurred staff costs of approximately HK\$0.1 million as at 31 December 2020 after the Listing.

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 received by the Company from the issue of 288,000,000 ordinary shares by way of share offer at a price of HK\$0.20 per share on 17 September 2018 was approximately HK\$26.9 million (after deduction of listing expenses). Up to 31 December 2020, 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 31 December 2020 HK\$' million	Unutilised balance as at 31 December 2020 HK\$' million	Expected timeline for utilising the unutilised net proceeds
Support and expand our structural and geotechnical engineering team	7.9	6.8	1.1	From 1 January 2021 to 31 March 2022
Grow and develop our civil engineering team	7.9	2.0	5.9	From 1 January 2021 to 31 March 2022
Expand our office infrastructure and BIM upgrade	5.2	0.4	4.8	From 1 January 2021 to 31 March 2022
Support and expand our material engineering and building repairs area of service	4.7	0.1	4.6	From 1 January 2021 to 31 March 2022
General working capital	1.2	1.2	—	Not applicable
	26.9	10.5	16.4	

The unutilised balance of net proceeds of each designated uses set out above is expected to be fully utilised by 31 March 2022. Please refer to the announcement of the Company dated 28 August 2020 for the details of the delay in the use of the net proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties facing the Group are summarized below:

- The Group relies heavily on professional staff, in particular, management team, in operating the business;
- The Group determines the tender price based on, among other things, the estimated time and costs involved in a project, which may deviate from the actual time and costs involved;
- Service fee may not be paid in full due to clients' projects not being completed as originally planned; and
- The Group is exposed to the credit risk of trade receivables and may experience increasing balance of such receivables and longer trade receivables' turnover days.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus. Material principal risks and uncertainties affecting the Group are substantially unchanged from those disclosed in the Prospectus. The Directors will monitor, assess and respond to the above risks in a timely manner.

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 its Associated Corporation

As at 31 December 2020, 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 ^(Note 2)
Dr. Chan Yin Nin ("Dr. Chan") ^(Note 1)	Interest in controlled corporation	394,072,000 ordinary shares	41.05%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	Interest in controlled corporation	394,072,000 ordinary shares	41.05%

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 41.05% 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 394,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 960,000,000 shares as at 31 December 2020.

(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 394,072,000 shares of the Company, representing approximately 41.05% of the total share capital of the Company.

Save as disclosed above, as at 31 December 2020, 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 31 December 2020, 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 5)</i>
Manning Properties Limited <i>(Note 1)</i>	Beneficial owner	394,072,000 ordinary shares	Long	41.05%
Ms. Julia Gower Chan <i>(Note 2)</i>	Interest of spouse	394,072,000 ordinary shares	Long	41.05%
Ms. Leung Kwai Ping <i>(Note 3)</i>	Interest of spouse	394,072,000 ordinary shares	Long	41.05%
Mr. Xie Liang	Beneficial owner	77,000,000 ordinary shares	Long	8.02%
Ms. Chen Xiao Fen <i>(Note 4)</i>	Interest of spouse	77,000,000 ordinary shares	Long	8.02%

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 41.05% 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 394,072,000 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) Ms. Chen Xiao Fen is the spouse of Mr. Xie Liang. By virtue of the SFO, Ms. Chen Xiao Fen is deemed to be interested in the shares of the Company interested by Mr. Xie Liang.
- (5) Based on the number of issued share of 960,000,000 shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, 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 its 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 nine months ended 31 December 2020.

INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2020.

CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2020 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 the Company's 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 enquiries 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 nine months ended 31 December 2020.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 during the nine months ended 31 December 2020 and there were no share options outstanding as at 31 December 2020.

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 currently 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 nine months ended 31 December 2020.

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

Hong Kong, 9 February 2021

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.