

WAC Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8619

2021

Third
Quarterly
Report



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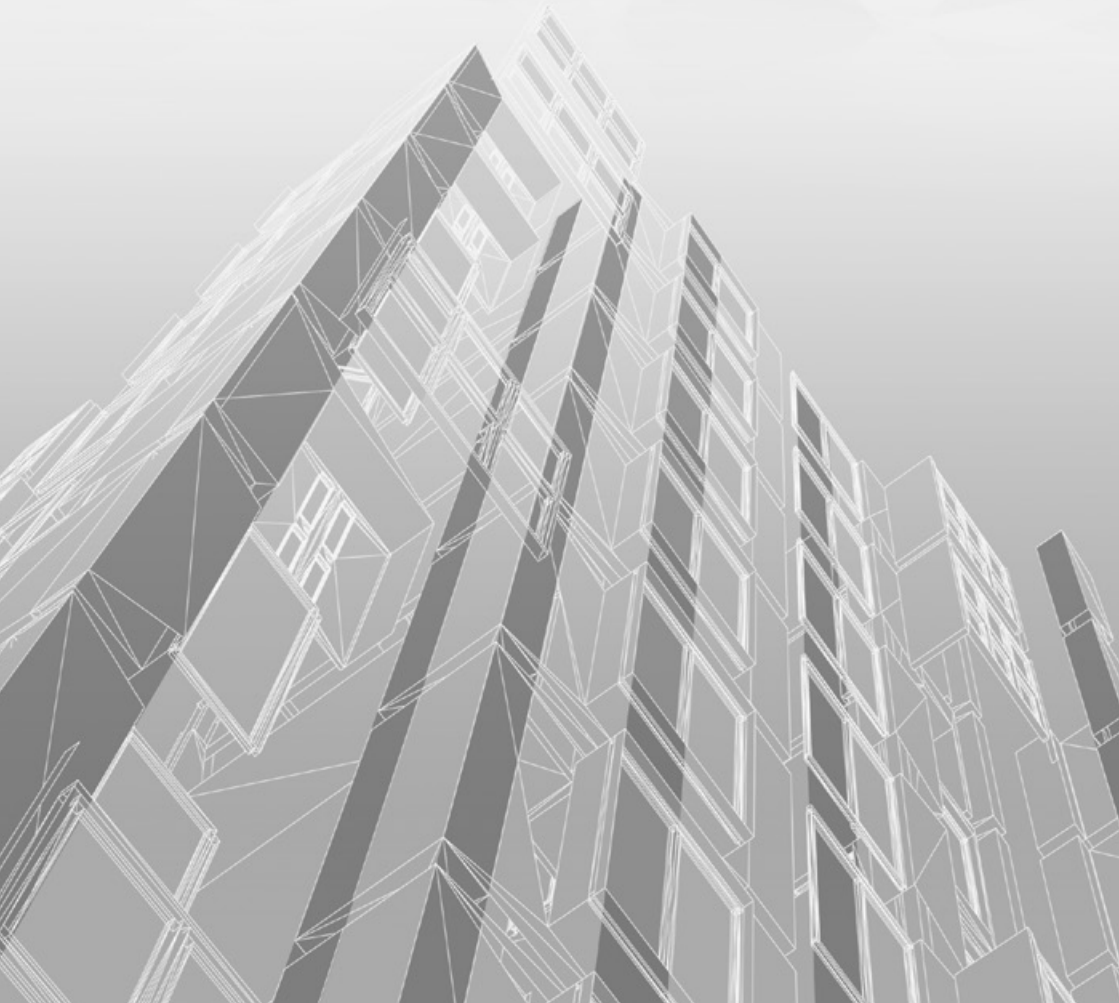
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This report, for which the directors (the “Director(s)”) of WAC Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the 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*)
Mr. Man Kwok Hing
Ms. Leung Suet Yiu

Independent Non-Executive Directors

Mr. Choy Wai Shek, Raymond, *MH, JP*
Ms. Siu Yuk Ming
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. Siu Yuk Ming (*Chairlady*)
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Sze Kyran, *MH*

REMUNERATION COMMITTEE

Mr. Sze Kyran, *MH* (*Chairman*)
Ms. Siu Yuk Ming
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. Siu Yuk Ming
Mr. Sze Kyran, *MH*
Dr. Chan Yin Nin
Mr. Kwong Po Lam

AUDITOR

McMillam Woods (Hong Kong) CPA Limited
(appointed on 25 January 2022)
Wellink CPA Limited
(resigned on 25 January 2022)

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 2021 together with the unaudited comparative figures for the corresponding period in 2020, 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	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	16,388	20,803	52,890	57,455
Cost of services		(12,464)	(13,117)	(37,923)	(35,373)
Gross profit		3,924	7,686	14,967	22,082
Other income		225	2,574	923	5,736
Other gains and losses, net		(328)	(705)	(3,440)	(2,121)
General and administrative expenses		(4,660)	(8,254)	(13,681)	(18,249)
Share of result of an associate		(515)	–	(595)	–
Finance costs		(57)	(68)	(182)	(113)
(Loss)/profit before taxation	5	(1,411)	1,233	(2,008)	7,335
Income tax (expenses)/credit	6	116	513	(240)	(595)
(Loss)/profit for the period		(1,295)	1,746	(2,248)	6,740
Other comprehensive expenses					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(34)	(10)	(61)	(104)
Other comprehensive expenses for the period, net of tax		(34)	(10)	(61)	(104)
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(1,329)	1,736	(2,309)	6,636
(Loss)/earnings per share					
– Basic and diluted (HK cents)	8	(0.11)	0.18	(0.21)	0.70

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 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 for the period	-	-	-	-	(104)	6,740	6,636
At 31 December 2020 (Unaudited)	9,600	48,760	647	49	146	11,338	70,540
At 1 April 2021 (Audited)	9,600	48,760	647	49	127	10,913	70,096
Loss for the period	-	-	-	-	-	(2,248)	(2,248)
Other comprehensive expense	-	-	-	-	(61)	-	(61)
Total comprehensive expense for the period	-	-	-	-	(61)	(2,248)	(2,309)
Issuance of shares in accordance with acquisition of an associate	1,920	22,656	-	-	-	-	24,576
At 31 December 2021 (Unaudited)	11,520	71,416	647	49	66	8,665	92,363

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

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 2021 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 2021 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 2021 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 2020 and the audited consolidated financial statements of the Group for the year ended 31 March 2021 shown in the 2021 annual report of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION (CONTINUED)

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2021 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2021 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 2021. 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 2021

4. REVENUE AND SEGMENT INFORMATION

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		31 December	
	2021	2020	2021	2020
	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	10,735	12,658	33,646	35,406
– Refurbishment/maintenance of existing properties	2,965	3,953	9,645	10,365
– Others	2,688	4,192	9,599	11,684
	16,388	20,803	52,890	57,455
Timing of revenue recognition:				
– Services recognised over time	16,388	20,784	52,890	57,330
– Sales of goods recognised at a point in time	–	19	–	125
	16,388	20,803	52,890	57,455

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 2021 and 2020.

Others represents (i) revenue from provision of expert witness services and other minor works services recognised over time during the periods ended 31 December 2021 and 2020; (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 2021

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (Continued)

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 2021 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 2021

5. (LOSS)/PROFIT BEFORE TAXATION

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(a) Staff costs				
Directors' remuneration	1,391	4,064	5,683	6,854
Salaries, wages and other benefits	10,879	11,069	31,779	32,316
Contributions to defined contribution retirement plan, excluding those of Directors	470	345	1,341	1,058
Total staff costs	12,740	15,478	38,803	40,228
Less: Amount included in general and administrative expenses	(1,732)	(3,900)	(5,082)	(7,752)
Total staff costs included in cost of services	11,008	11,578	33,721	32,476
(b) Finance costs				
Interest expenses on bank borrowings	1	1	5	1
Interest expenses on lease liabilities	56	67	177	112
Total finance costs	57	68	182	113
(c) Other items				
Auditor's remuneration (including remuneration for non-audit services)	199	182	646	617
Exchange gains, net	(73)	(32)	(152)	(82)
Depreciation of property, plant and equipment	108	100	268	314
Depreciation of right-of-use assets	695	699	2,083	2,097
Provision of impairment losses on trade receivables and contract assets, net of reversal of impairment losses	400	732	2,407	2,356
Government subsidies	-	(2,488)	-	(5,074)
Impairment losses on interest in an associate	-	-	1,184	-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

6. INCOME TAX EXPENSES/(CREDIT)

	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	(65)	(527)	270	587
PRC Enterprise Income Tax	-	99	-	99
	(65)	(428)	270	686
Deferred taxation:				
Origination and reversal of temporary differences	(51)	(85)	(30)	(91)
	(116)	(513)	240	595

(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 2021 and 2020. 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

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 nine months ended 31 December 2021 and 2020.

(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 2021 and 2020.

(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 2021

7. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2021 (for the nine months ended 31 December 2020: nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company	(1,295)	1,746	(2,248)	6,740
Number of shares:				
Weighted average number of ordinary shares in issue ('000 Number of shares)	1,152,000	960,000	1,073,804	960,000
Basic and diluted (loss)/earnings per share (HK cents)	(0.11)	0.18	(0.21)	0.70

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 shares in issue of the Company.

Diluted (loss)/earnings per share for those periods are the same as basic (loss)/earnings per share as there were no 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.

During the nine months ended 31 December 2021, the Group recorded a decrease in revenue of approximately 7.9% to approximately HK\$52.9 million from approximately HK\$57.5 million for the preceding financial period. The decrease was due to no revenue in relation to the e-commerce online platform consulting services, for the nine months ended 31 December 2021.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased from approximately HK\$57.5 million for the nine months ended 31 December 2020 to approximately HK\$52.9 million for the nine months ended 31 December 2021, representing a decrease of approximately 7.9%. The decrease was due to no revenue in relation to the e-commerce online platform consulting services, for the nine months ended 31 December 2021.

On 26 March 2021, the Group disposed of Etuan Technology Limited and hereby disposed of its interests in Hangzhou Zhouji Network Technology Limited (“Zhouji Network”) held through a variable interest entity arrangement (“Disposal of Subsidiaries”). Revenue from provision of e-commerce online platform consulting services of approximately HK\$5.4 million was derived from Zhouji Network for the nine months ended 31 December 2020.

Cost of Services

The cost of services increased from approximately HK\$35.4 million for the nine months ended 31 December 2020 to approximately HK\$37.9 million for the nine months ended 31 December 2021, representing an increase of approximately 7.2%. Such increase during the period ended 31 December 2021 was mainly attributable to the net effect of (i) increase in the subconsulting charges incurred for the projects that required subconsulting services undertaken by the Group; (ii) increase in staff costs and benefits related to structural and geotechnical engineering consultancy services included in cost of services; (iii) payment of discretionary bonus to directors during the nine months ended 31 December 2021; and (iv) absence of staff costs incurred related to e-commerce online platform undertaken by the Group for the nine months ended 31 December 2020.

Gross Profit

Gross profit of the Group decreased by approximately HK\$7.1 million from approximately HK\$22.1 million for the nine months ended 31 December 2020 to approximately HK\$15.0 million for the nine months ended 31 December 2021, representing a decrease of approximately 32.2%. The net decrease was mainly caused by the increase in subconsulting charges, staff costs and benefits and payment of discretionary bonus to directors related to structural and geotechnical engineering consultancy services for the nine months ended 31 December 2021 and no staff costs incurred in relation to e-commerce online platform undertaken by the Group in the preceding financial period as discussed above. The overall gross profit margin decreased from approximately 38.4% for the nine months ended 30 December 2020 to approximately 28.3% for the nine months ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income of the Group for the nine months ended 31 December 2021 and 2020 were approximately HK\$0.1 million and HK\$5.7 million respectively, representing an decrease of approximately 83.9%. The substantial decrease was mainly attributable to the absence of one-off government subsidies received from the Government of Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government") under the Employment Support Scheme, which occurred during the nine months ended 31 December 2020.

Other Gains and Losses, Net

The net amount of other gains and losses of the Group for the nine months ended 31 December 2021 and 2020 were approximately HK\$3.4 million and HK\$2.1 million respectively, representing an increase of approximately 62.2%. Such increase was primarily attributable to the impairment loss recognised in respect of the interest in an associate for the nine months ended 31 December 2021.

General and Administrative Expenses

General and administrative expenses of the Group decreased by approximately HK\$4.6 million or 25.0% from approximately HK\$18.3 million for the nine months ended 31 December 2020 to approximately HK\$13.7 million for the nine months ended 31 December 2021. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, accrued staff bonus, staff training and welfare, depreciation, and legal and professional fees. Such decrease was mainly attributable to the (i) decrease in legal and professional fees; and (ii) decrease in staff costs, staff welfare and benefits for the nine months ended 31 December 2021 due to the Disposal of Subsidiaries on 26 March 2021.

Finance Costs

The finance costs of the Group for the nine months ended 31 December 2021 and 2020 were approximately HK\$0.2 million and HK\$0.1 million respectively, representing interest expenses on lease liabilities and interest expenses on bank borrowings.

Income Tax (Expenses)/Credit

Income tax expenses of the Group decreased by approximately HK\$0.4 million or 59.7% from approximately HK\$0.6 million for the nine months ended 31 December 2020 to approximately HK\$0.2 million for the nine months ended 31 December 2021. Such decrease was consistent with the decrease in estimated assessable profits 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\$2.2 million for the nine months ended 31 December 2021 (for the nine months ended 31 December 2020: profit of approximately HK\$6.7 million). The loss was primarily attributable to the (i) increase in cost of services resulting from (a) increase in the subconsulting charges incurred for the projects that required subconsulting services undertaken by the Group; (b) increase in staff costs included in cost of services; and (c) payment of discretionary bonus to directors; (ii) no one-off government subsidies received from HKSAR Government under the Employment Support Scheme; and (iii) impairment loss recognised in respect of the interest in an associate, for the nine months ended 31 December 2021.

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 5.2 times as at 31 March 2021 to approximately 3.0 times as at 31 December 2021. The decrease was mainly due to increase in contract liabilities as at 31 December 2021.

As at 31 December 2021 and 31 March 2021, the Group had no borrowings. The gearing ratio as at 31 December 2021, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, was therefore not applicable. 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 1,152,000,000.

COMMITMENTS

As at 31 December 2021, the Group did not have any capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, 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

On 22 July 2021, the Company issued 192,000,000 new ordinary shares for the acquisition of 23.4% issued share capital of OPS Holdings Limited. The closing share price of the Company's shares at the date of issue was HK\$0.128 per share.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021 (31 March 2021: nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. In addition, the Group 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 31 December 2021 (31 March 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

On 6 January 2022, OPS Holdings Limited (“OPS”), an associate of the Company, has allotted and issued of 1,800 new ordinary shares at US\$1,290 each to Alpha Generator Limited, one of existing shareholders of OPS (the “Issue of New Shares”).

Immediately before the Issue of New Shares, OPS had 10,000 shares in issue. WAC (Hong Kong) Limited (“WAC”), a subsidiary of the Company, holds 23.4% of equity of the issued share capital of OPS. Immediately after the Issue of New Shares, OPS had 11,800 shares in issue. Accordingly, the shareholding percentage of OPS held by WAC was diluted from 23.4% to approximately 19.8%.

In respect of the dilution in shareholding percentage of OPS, based on the Group’s internal assessment, the impact on valuation of the Group’s investment in OPS was immaterial.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 140 employees (31 December 2020: 135 employees). The staff costs, including Directors’ emoluments, of the Group were approximately HK\$38.8 million for the nine months ended 31 December 2021 (31 December 2020: approximately HK\$40.2 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 2021:

Business objective and strategy	Principal business plan and activity as stated in the Prospectus	Actual business progress up to 31 December 2021
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 seventeen 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, 2020 and 2021, the Group has incurred staff costs of approximately HK\$7.5 million as at 31 December 2021 after the listing of the Company's shares on GEM of the Stock Exchange on 17 September 2018 (the "Listing").• As at 31 December 2021, the Group has purchased new computers and software for new staff in the amount of approximately HK\$0.7 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 fifteen 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, 2020 and 2021, the Group has incurred staff costs of approximately HK\$4.5 million as at 31 December 2021 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 2021
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 2021, the Group has purchased four sets of BIM software licenses and computer equipment amounting to approximately HK\$194,000. • As at 31 December 2021, the Group has paid approximately HK\$45,000 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 2021 after the Listing.
Acquisition of or investment in companies in construction and property development industry	<ul style="list-style-type: none"> • Explore business opportunities for acquisition or investment 	<ul style="list-style-type: none"> • The Group has acquired a company of approximately HK\$0.1 million as at 31 December 2021 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 2021, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus and the announcements of the Company dated 5 March 2021 and 31 December 2021 in relation to the change in use of proceeds as follows:

Business strategies	Revised allocation of the total net proceeds designated	Actual usage of net	Unutilised	Expected timeline for utilising the unutilised net proceeds
	in the announcement dated on 31 December 2021	proceeds up to 31 December 2021	balance as at 31 December 2021	
	HK\$* million	HK\$* million	HK\$* million	
Support and expand our structural and geotechnical engineering team	11.8	8.2	3.6	On or before 31 March 2023
Grow and develop our civil engineering team	7.9	4.5	3.4	On or before 31 March 2023
Expand our office infrastructure and BIM upgrade	1.3	0.9	0.4	On or before 31 March 2023
Support and expand our material engineering and building repairs area of service	0.1	0.1	–	Not applicable
General working capital	1.2	1.2	–	Not applicable
Acquisition of or Investment in Companies in construction and property development industry	4.6	0.1	4.5	On or before 31 March 2023
	26.9	15.0	11.9	

The unutilised balance of net proceeds of each designated uses set out above is expected to be fully utilised by 31 March 2023. Please refer to the announcements of the Company dated 28 August 2020, 5 March 2021 and 31 December 2021 for the details of the delay in the use of the net proceeds and change in the use of proceeds, respectively.

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 2021, 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	363,072,000 ordinary shares	31.52%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	Interest in controlled corporation	363,072,000 ordinary shares	31.52%

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 31.52% 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 363,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 1,152,000,000 shares as at 31 December 2021.

(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 363,072,000 shares of the Company, representing approximately 31.52% of the total share capital of the Company.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 ^(Note 4)
Manning Properties Limited ^(Note 1)	Beneficial owner	363,072,000 ordinary shares	Long	31.52%
Ms. Julia Gower Chan ^(Note 2)	Interest of spouse	363,072,000 ordinary shares	Long	31.52%
Ms. Leung Kwai Ping ^(Note 3)	Interest of spouse	363,072,000 ordinary shares	Long	31.52%
Mr. Wong Man Hin Max	Beneficial owner	191,284,000 ordinary shares	Long	16.60%

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 31.52% 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 363,072,000 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 1,152,000,000 shares as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 31 December 2021, 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 2021.

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 2021.

CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2021 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2021 (nine months ended 31 December 2020: nil).

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 2021 and there were no share options outstanding as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Mr. Choy Wai Shek, Raymond, Ms. Siu Yuk Ming and Mr. Sze Kyran, all being independent non-executive Directors. Ms. Siu Yuk Ming 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 2021.

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

Hong Kong, 4 February 2022

As at the date of this report, the Board comprises Dr. Chan Yin Nin, Mr. Kwong Po Lam, Mr. Man Kwok Hing and Ms. Leung Suet Yiu as executive Directors; and Mr. Choy Wai Shek, Raymond, Ms. Siu Yuk Ming and Mr. Sze Kyran as independent non-executive Directors.