

華和控股集團有限公司 Wah Wo Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9938



2020/21
Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Yuet Wa
(*Chairman and Chief Executive Officer*)
Mr. Chan Fai

Independent Non-executive Directors

Mr. Chow Chi Fai
Mr. Chan Hon Ki
Mr. Yu Chi Wing

AUDIT COMMITTEE

Mr. Chow Chi Fai (*Chairperson*)
Mr. Chan Hon Ki
Mr. Yu Chi Wing

REMUNERATION COMMITTEE

Mr. Chan Hon Ki (*Chairperson*)
Mr. Chen Yuet Wa
Mr. Chow Chi Fai

NOMINATION COMMITTEE

Mr. Chen Yuet Wa (*Chairperson*)
Mr. Yu Chi Wing
Mr. Chan Hon Ki

COMPANY SECRETARY

Mr. Lee Kai Ming (*HKICPA*)

AUTHORISED REPRESENTATIVES

Mr. Chen Yuet Wa
Mr. Lee Kai Ming (*HKICPA*)

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Industrial Building
36-40 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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 BANKER

Nanyang Commercial Bank, Ltd.
151 Des Voeux Road Central
Hong Kong

COMPANY WEBSITE

www.wahwoalum.com

STOCK CODE

9938

Management Discussion and Analysis

The board (“**Board**”) of directors (the “**Directors**”) of Wah Wo Holdings Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (the “**Review Period**”) together with the comparative figures for the corresponding period ended 30 September 2019.

BUSINESS REVIEW AND OUTLOOK

The Group is an established contractor engaged in facade works with a focus on window in Hong Kong. Facade works can be classified into window, window wall system, curtain wall system and other facade members. We principally provide design and build services for new buildings and renovation services for built premises and trading of tools and equipment. Our services generally include developing designs, conducting structural calculations and preparing shop drawings, as well as management and coordination of various aspects of a project which involve procurement of building materials from material suppliers and/or subcontracting of installation works to our subcontractors, on-site project management and post-project completion and maintenance services.

Our design and build services are typically conducted on new buildings and involve the installation of windows and other facade components such as metal doors, louvres, balustrades, grilles and canopy (referred to as “design and build projects”). Our renovation services on the other hand are typically conducted on built premises and usually involve the repair, replacement, upgrade or maintenance of windows, metal doors and other facade components (referred to as “renovation projects”). We provide design and build services and renovation services for different types of buildings, including residential apartments, commercial buildings, retail premises, universities and hotels in Hong Kong. These different types of buildings can be broadly classified as (i) residential buildings; and (ii) non-residential buildings.

On 17 January 2020 (the “**Listing Date**”), the shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange (the “**Listing**”), making an important milestone of the Company’s business.

Management Discussion and Analysis

As at 30 September 2020, the Group has a total of 11 ongoing projects, each with an awarded contract sum (exclusive of variation orders) of over HK\$5 million. The aggregate contract sums (inclusive of variation orders and contract sum adjustments as at 30 September 2020) of these ongoing projects as at 30 September 2020 amounted to approximately HK\$887.6 million.

The Group recorded gross profit of approximately HK\$14.7 million for the Review Period, as compared with the gross profit of approximately HK\$40.0 million for the six months ended 30 September 2019. The Group's gross profit margin for the Review Period was approximately 8.6% as compared with approximately 26.7% for the six months ended 30 September 2019. Such decrease in gross profit and gross profit margin were mainly attributable to (i) the supply chain management and production capacity across the construction material suppliers have been affected by the outbreak of the novel coronavirus (the "**COVID-19**"), which resulted in a delay in suppliers' delivery of construction materials and that was beyond the control of the Group. In order to catch up with the schedule of the Group's on going projects, the Group incurred additional costs to speed up the installation process, which caused the surge of costs in certain projects; and (ii) the increase in overall construction costs due to additional costs incurred for subcontracting works for the on going projects as a result of unstable project schedules during the COVID-19. In addition, the uncertainty in the local property market and the real estate sector in Hong Kong and the economic downturn in Hong Kong has caused a reduction in tenders. The limited tendering opportunities increased the competition in the construction industry, which affected the tendering price and profit margin of new projects. The aforementioned factors significantly undermined the overall profitability of the Group.

Management Discussion and Analysis

While the outbreak of COVID-19 remains fluid and rapidly evolving and negative impact from the economic slowdown driven by the global macro-economic conditions, the Group will remain vigilant and closely monitor the development of business operations. The Group will continue to adopt appropriate measures to safeguard the interest of its employees and business operations. The Group will also continue to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin. Looking forward, the Group will actively explore any possible vertical expansion opportunities to ensure a stable supply of construction materials. Apart from capitalised on our expertise and industry experience and extensive supplier network, the Group will also continue to actively explore and consider any suitable opportunities to broaden our revenue base which benefit the Group and the Company's shareholders.

The Group considers that the outbreak of the COVID-19 to a certain extent would affect our business and the Group is actively updating its project status with its customers. The Board will continue to assess the potential impact of the outbreak on the Group's operation and will closely monitor the Group's exposure to relevant risks and uncertainties.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$21.4 million or approximately 14.3% from approximately HK\$150.1 million for the six months ended 30 September 2019 to approximately HK\$171.5 million for the six months ended 30 September 2020. The increase in revenue was mainly driven by the revenue contributed by some of our existing projects in execution-peak stage during the Review Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Review Period amounted to approximately HK\$14.7 million, representing a decrease of approximately 63.2% as compared with approximately HK\$40.0 million for the six months ended 30 September 2019. The Group's gross profit margin for the Review Period was approximately 8.6%, as compared with approximately 26.7% for the six months ended 30 September 2019. The decrease in gross profit and gross profit margin was mainly due to the reasons as mentioned under the section headed "Business Review and Outlook".

Management Discussion and Analysis

Other Income

Other income of the Group for the Review Period amounted to approximately HK\$3.0 million, representing an increase of approximately HK\$2.9 million as compared with approximately HK\$133,000 for the six months ended 30 September 2019. The increase was primarily due to the one-off government grants received from the Hong Kong government for the Review Period.

Administrative Expenses

The administrative expenses of the Group for the Review Period amounted to approximately HK\$6.3 million, representing an increase of approximately 34.0% as compared with approximately HK\$4.7 million (excluding non-recurring listing expenses of approximately HK\$8.3 million) for six months ended 30 September 2019. The increase was mainly attributable to (i) the increase of administrative staff costs (including directors' emoluments) due to the increase of number of administrative staff and the general increment in salaries; and (ii) the increase in recurring post-listing professional fee.

Finance Costs

Finance costs of the Group for the Review Period were approximately HK\$48,000, representing a decrease of approximately 34.2% as compared with approximately HK\$73,000 for the six months ended 30 September 2019. The decrease was mainly attributable to the repayment of bank borrowings before the Review Period.

Profit for the period

As a result of the foregoing, profit attributable to owners of the Company for the Review Period decreased by approximately HK\$12.3 million or approximately 57.4% from approximately HK\$21.4 million for the six months ended 30 September 2019 to approximately HK\$9.1 million for the Review Period.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date and there has been no change in capital structure of the Group since then.

As at 30 September 2020 and 31 March 2020, the Company's issued capital was HK\$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK\$0.01 each.

As at 30 September 2020, the Group had total cash and bank balances of approximately HK\$108.8 million (31 March 2020: approximately HK\$182.1 million). There were no bank borrowings of the Group as at 30 September 2020 (31 March 2020: Nil). Interests were charged at floating rates. The Group did not carry out any interest rate hedging policy.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy. 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 all the time.

PLEDGE OF ASSETS

As at 30 September 2020, the Group had approximately HK\$20.1 million (31 March 2020: HK\$4.4 million) of time deposits pledged for banking facilities.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong. Most of the operating transactions and revenue were settled in Hong Kong dollars and the Group's assets and liabilities are primarily denominated in Hong Kong dollars. With the insignificant portion of monetary transactions and assets denominated in foreign currencies, the Group did not engage in any derivatives agreement and did not commit to any financial instrument to hedge its foreign exchange exposure during the Review Period (six months ended 30 September 2019: Nil).

Management Discussion and Analysis

GEARING RATIO

As at 30 September 2020, the gearing ratio (calculated as total debts (including bank borrowings and lease liabilities) divided by the total equity) was approximately 3.1% (31 March 2020: approximately 0.3%).

CAPITAL EXPENDITURE

During the Review Period, the Group invested approximately HK\$4.3 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group had capital commitments of approximately HK\$1.0 million (31 March 2020: Nil) contracted but not provided for the acquisition of property, plant and equipment.

As at 30 September 2020, contingent liabilities not provided for in the financial statements are guarantees given to a bank for surety bonds of approximately HK\$20.1 million (31 March 2020: approximately HK\$4.4 million).

In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The Directors of the Company are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Review Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

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

During the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENT HELD

During the Review Period, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future plans and use of proceeds" in the Prospectus, as at 30 September 2020, the Group does not have any other plans for material investments or capital assets.

EVENTS AFTER END OF THE PERIOD

Except for the above-mentioned, no event has occurred after 30 September 2020 and up to the date of this report which would have a material effect on the Group.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing amounted to approximately HK\$78.9 million (after deducting the underwriting fees and commissions and all related expenses), which is slightly lower than the estimated net proceeds of approximately HK\$82.5 million as disclosed in the announcement of allotment results of the Company dated 16 January 2020 (the “**Allotment Results**”). The net proceeds has been adjusted in the same manner and same proportion to the use of proceeds as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. An analysis of the utilisation of the net proceeds up to 30 September 2020 is set out below:

	Estimated net proceeds as per Allotment Results HK\$ million	Adjusted net proceeds from the Listing HK\$ million	Actual utilised amount from the Listing date to 30 September 2020 HK\$ million	Unutilised balance as at 30 September 2020 HK\$ million	Expected timeframe of full utilisation of unutilised amount from the share offer as at 30 September 2020
Satisfying surety bond requirement	32.7	31.2	15.7	15.5	Second quarter of 2021
Upfront costs of our awarded projects	32.8	31.4	24.7	6.7	First quarter of 2021
Expansion of project management team, design team, supporting staff and rent a new office	12.0	11.5	3.1	8.4	First quarter of 2022
General working capital	5.0	4.8	4.8	-	
	82.5	78.9	48.3	30.6	

The unutilised net proceeds as at 30 September 2020 are placed as interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluate the Group’s business objectives and may change or modify plans against the changing market condition to ascertain the business growth of the Group. As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds and the unutilised net proceeds will be applied in the manner consistent with the proposed allocations.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group employed a total of 71 employees (including executive Directors and independent non-executive Directors), as compared to a total of 61 employees as at 30 September 2019. Total staff costs which include Directors' emoluments for the Review Period were approximately HK\$15.4 million (six months ended 30 September 2019: approximately HK\$12.9 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on the salary increase, discretionary bonuses and promotions based on the performance of each employee. The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered factors such as the Group's financial performance and the individual performance of the Directors, etc. The Company has adopted a share option scheme as an incentive to Directors and eligible employees. During the Review Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration and payment of an interim dividend to shareholders of the Company for the Review Period (six months ended 30 September 2019: nil).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	4	171,520	150,121
Cost of sales		(156,791)	(110,104)
Gross profit		14,729	40,017
Other income	4	3,047	133
Administrative expenses		(6,270)	(13,028)
Impairment loss allowances		(814)	(49)
Finance costs	5	(48)	(73)
PROFIT BEFORE TAX	6	10,644	27,000
Income tax expense	7	(1,529)	(5,603)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,115	21,397
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK0.91 cent	HK2.85 cents

Condensed Consolidated Statement of Financial Position

30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		802	872
Right-of-use assets	13	7,514	742
Deposits		4,563	143
Deferred tax asset		50	–
Total non-current assets		12,929	1,757
CURRENT ASSETS			
Contract assets	10	72,135	53,441
Trade receivables	11	66,441	6,829
Prepayments, deposits and other receivables		17,231	9,021
Pledged deposits		20,100	4,416
Cash and cash equivalents		108,770	182,117
Total current assets		284,677	255,824
CURRENT LIABILITIES			
Contract liability	10	862	–
Trade and retention payables	12	28,727	6,927
Other payable and accruals		4,625	5,236
Lease liabilities	13	1,603	468
Tax payable		1,783	109
Provisions for rectification works		9,437	8,950
Total current liabilities		47,037	21,690
NET CURRENT ASSETS		237,640	234,134
TOTAL ASSETS LESS CURRENT LIABILITIES		250,569	235,891

Condensed Consolidated Statement of Financial Position

30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities	13	5,937	279
Deferred tax liability		–	95
Total non-current liabilities		5,937	374
Net assets		244,632	235,517
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	10,000	10,000
Reserves		234,632	225,517
Total equity		244,632	235,517

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Attributable to owners of the Company				
	Issued capital	Share premium account	Merger reserve	Retained profits	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
At 1 April 2019	-	-	20	106,478	106,498
Profit and total comprehensive income for the period	-	-	-	21,397	21,397
At 30 September 2019	-	-	20	127,875	127,895
At 1 April 2020	10,000	91,369	20	134,128	235,517
Profit and total comprehensive income for the period	-	-	-	9,115	9,115
At 30 September 2020	10,000	91,369	20	143,243	244,632

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(53,855)	(9,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	957	133
Purchases of items of property, plant and equipment	(104)	(64)
Deposit paid for purchasing property, plant and equipment	(4,200)	–
Increase in pledged deposits	(15,684)	–
Increase in non-pledged time deposits with original maturity more than three months when acquired	(42,596)	–
Repayment from a director	–	202
Net cash flows from/(used in) investing activities	(61,627)	271
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(48)	(2)
Repayment of bank loans	–	(324)
Payments of lease liability	(413)	(202)
Net cash flows used in financing activities	(461)	(528)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(115,943)	(9,991)
Cash and cash equivalents at beginning of period	167,483	25,155

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	51,540	15,164
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,540	15,164
Non-pledged time deposits	57,230	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	108,770	15,164
Non-pledged time deposits with original maturity of more than three months when acquired	(57,230)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	51,540	15,164

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. CORPORATE AND GROUP INFORMATION

Wah Wo Holdings Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Flat A & D, 4/F, Phase 1 Kwai Shing Industrial Building, 36–40 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of aluminium works related services and trading of tools and equipment.

Pursuant to the reorganisation (the “**Reorganisation**”) of the Group in connection with the listing of the shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), as explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Group Structure” in the prospectus (the “**Prospectus**”) of the Company dated 31 December 2019, the Company became the holding company of the companies now comprising the Group on 3 August 2018.

The shares of the Company were listed on the Main Board of the Stock Exchange on 17 January 2020 (the “**Listing**”).

In the opinion of the directors, the immediate and the ultimate holding company of the Company is Ornate Bright Limited, a company incorporated in the British Virgin Islands.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institution of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2020.

They have been prepared under the historical cost convention. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of these revised HKFRSs has had no significant impact on the Group’s unaudited condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of aluminium works related services and trading of tools and equipment. Information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no further operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

All of the Group's revenues from external customers were attributed to Hong Kong based on the location of the services provided.

(b) *Non-current assets*

All of the Group's non-current assets were located in Hong Kong based on the locations of the assets.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	171,520	150,121

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

4. REVENUE AND OTHER INCOME *(continued)*

Disaggregated revenue information

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Types of goods and services		
Construction services of residential buildings	165,909	120,053
Construction services of non-residential buildings	5,475	30,068
Trading of tools and equipment	136	–
Total revenue from contracts with customers	171,520	150,121
Timing of revenue recognition		
Services transferred over time	171,384	150,121
Goods transferred at a point in time	136	–
Total revenue from contracts with customers	171,520	150,121

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

4. REVENUE AND OTHER INCOME *(continued)*

An analysis of other income is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income		
Bank interest income	957	133
Government grants*	2,090	–
	3,047	133

* Government grants were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong government. As a condition of receiving the grant from the Employee Support Scheme, the Group undertakes not to make redundancies by 30 November 2020.

5. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings	–	71
Interest on lease liabilities	48	2
	48	73

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contract costs	156,791	110,104
Depreciation of property, plant and equipment	174	165
Depreciation of right-of-use assets	434	189
Impairment/(reversal of impairment) of contract assets, net [#]	188	(228)
Impairment of trade receivables [#]	626	277
Net provision for rectification works [*]	5,012	1,608

* For the six months ended 30 September 2020, net provision for rectification works of HK\$5,012,000 (six months ended 30 September 2019: HK\$1,608,000) is included in contract costs disclosed above.

[#] Included in "Impairment loss allowances" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current — Hong Kong Charge for the period	1,674	5,623
Deferred	(145)	(20)
Total tax charge for the period	1,529	5,603

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

8. DIVIDENDS

The board of directors has resolved not to declare an interim dividend by the Company for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$9,115,000 (six months ended 30 September 2019: HK\$21,397,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 September 2019: 750,000,000) in issue during the period, on the assumption that the Reorganisation and the capitalisation issue, as further explained in note 14 to the unaudited condensed consolidated interim financial statements in this report, had been completed on 1 April 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2020 and 2019.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

10. CONTRACT ASSETS/(LIABILITY)

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Contract assets		
— Unbilled revenue	36,501	29,585
— Retention receivables	35,829	23,863
	72,330	53,448
Impairment	(195)	(7)
	72,135	53,441
Contract liability	862	—

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the quality and quantity check by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represent the Group's right to consideration for work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

10. CONTRACT ASSETS/(LIABILITY) *(continued)*

The increase/decrease in contract assets as at 30 September 2020 and 31 March 2020 was the result of the increase/decrease in the provision of construction services near the end of the period/year.

The Group's trading terms and credit policy with customers are disclosed in note 11 to the unaudited condensed consolidated interim financial statements in this report.

The expected timing of recovery or settlement for contract assets is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within one year	42,820	35,449
After one year	29,315	17,992
	72,135	53,441

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade receivables	67,070	6,832
Impairment	(629)	(3)
	66,441	6,829

Trade receivables represented receivables for contract works. Management generally submits interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the quantity surveyors of the customer will verify such valuation of works completed and issue an interim payment certificate within 30 days. Within 30 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the reporting period, based on the progress payment certificate date and net of loss allowance, is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	53,026	2,515
31 to 90 days	12,933	2,697
Over 90 days	482	1,617
	66,441	6,829

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

12. TRADE AND RETENTION PAYABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Trade payables	27,920	6,637
Retention payables	807	290
	28,727	6,927

An ageing analysis of the trade and retention payables as at the end of each of the reporting period, based on the date of invoice and payment certificate, is as follows:

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 30 days	24,640	5,664
31 to 90 days	2,908	445
Over 90 days	372	528
	27,920	6,637
Retention payables	807	290
	28,727	6,927

At 30 September 2020 and 31 March 2020, retention payables were expected to be settled within one year.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

13. LEASES

During the six months ended 30 September 2020, the Group entered into a new lease arrangement with Ms. Wong Chun Siu, the spouse of Mr. Chen Yuet Wa (the “**Controlling Shareholder**”), for the use of a warehouse and office premises for six years. Upon initial recognition, the Group recognised a right-of-use asset and a lease liability of approximately HK\$7,206,000.

14. SHARE CAPITAL

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid: 1,000,000,000 ordinary shares of HK\$0.01 each	10,000	10,000

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

14. SHARE CAPITAL (continued)

A summary of movements in the Company's authorised and issued share capital is as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 18 May 2018 (date of incorporation), at 31 March 2019 and at 1 April 2019		38,000,000	380
Increase in authorised share capital	(a)	9,962,000,000	99,620
<hr/>			
At 31 March and 30 September 2020		10,000,000,000	100,000
<hr/>			
Issued and fully paid:			
At 18 May 2018 (date of incorporation)		1	–
Issue of shares	(b)	2	–
<hr/>			
At 31 March 2019 and at 1 April 2019		3	–
Capitalisation issue	(c)	749,999,997	7,500
Issue of shares under initial public offering	(d)	250,000,000	2,500
<hr/>			
At 31 March and 30 September 2020		1,000,000,000	10,000

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

14. SHARE CAPITAL *(continued)*

- (a) On 12 December 2019, the authorised share capital of the Company was increased by HK\$99,620,000 by the creation of 9,962,000,000 additional ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.
- (b) On 3 August 2018, 2 ordinary shares of HK\$0.01 each, were allotted and issued by the Company to Controlling Shareholder at HK\$1 per share.
- (c) Pursuant to the written resolution of the then sole shareholder of the Company passed on 12 December 2019, 749,999,997 ordinary shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the Controlling Shareholder. The allotment and capitalisation issue were conditional upon the share premium account being credited as a result of the issue of shares in connection with the Company's initial public offering as detailed in note (d) below.
- (d) In connection with the Company's initial public offering, 250,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.5 per share on 16 January 2020 for a total cash consideration, before expenses, of approximately HK\$125,000,000. Dealing in the shares of the Company on the Stock Exchange commenced on 17 January 2020.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

15. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had capital commitments of approximately HK\$1.0 million (31 March 2020: Nil) contracted but not provided for the acquisition of property, plant equipment.

16. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	1,020	742
Pension scheme contributions	18	18
	1,038	760

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

16. RELATED PARTY TRANSACTIONS *(continued)*

- (b) In addition to the balances, arrangements and transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following transactions with related party during the period:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Lease payments paid to Ms. Wong Chun Siu, the spouse of the Controlling Shareholder	220	–

The transactions were conducted on terms and conditions mutually agreed between the Group and the related party.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2020, interests and short positions in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares	Percentage of shareholding
Mr. Chen Yuet Wa	Interest in a controlled corporation (note)	750,000,000	75%

Note: 750,000,000 Shares are registered in the name of Ornate Bright Limited (“Ornate Bright”), the entire issued capital of which is legally and beneficially owned by Mr. Chen Yuet Wa, our executive Director. By virtue of the SFO, Mr. Chen Yuet Wa is deemed to be interested in all the Shares held by Ornate Bright.

Corporate Governance and Other Information

(ii) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature	Number of share held	Percentage of Interest
Mr. Chen Yuet Wa	Ornate Bright	Beneficial Owner	1	100%

Save as disclosed above, as at 30 September 2020, none of the Directors or the 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 required to be notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Corporate Governance and Other Information

LONG POSITION IN THE SHARES

Name	Capacity/Nature of interest	Number of Shares held	Percentage of interest
Ornate Bright	Beneficial owner (note 1)	750,000,000	75%
Ms. Wong Chun Siu	Interest of spouse (note 2)	750,000,000	75%

Notes:

1. Ornate Bright is wholly-owned by Mr. Chen Yuet Wa.
2. Ms. Wong Chun Siu is the spouse of Mr. Chen Yuet Wa and is deemed or taken to be interested in all the Shares in which Mr. Chen Yuet Wa has, or is deemed to have, an interest for the purposes of the SFO.

Save as disclosed above, as at 30 September 2020, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to section 336 of the SFO.

Corporate Governance and Other Information

SHARE OPTION SCHEME

The share option scheme was conditionally adopted by the Company on 12 December 2019 (the **"Share Option Scheme"**) and shall be valid until 12 December 2029. Pursuant to the Share Option Scheme, certain eligible participants including, among others, the Directors and employees of the Group may be granted option to subscribe for shares. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. A Summary of principal terms of the Share Option Scheme is set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Prospectus.

Pursuant to the terms of the Share Option Scheme and in compliance with the provisions in Chapter 17 of the Listing Rules, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all share option schemes of the Company shall not exceed 100,000,000 Shares, being 10% of the Shares in issue as at the date of this interim report.

Since the adoption of the Share Option Scheme, no option has been granted. Therefore, no option was exercised, cancelled or lapsed during the period and there was no option outstanding as at 30 September 2020.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules during the Review Period.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CODE”)

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. During the Review Period, the role of the chairman and the chief executive officer of the Company are both performed by Mr. Chen Yuet Wa. In view of Mr. Chen Yuet Wa’s role in the day-to-day management and operations of the Group, being the controlling shareholder of the Group and as one of the Directors if not the sole director of other members of the Group, as at the date of this interim report, the Board believes that it is more effective and efficient overall business planning and implementation of business decisions and strategies of the Group that it shall be in the best interests of the Group for Mr. Chen Yuet Wa to take up the dual roles of chairman and chief executive officer of the Company. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that the Company is expected to comply with the CG Code. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders.

Except for code provision A2.1, the Company has adopted and complied with the Code contained in Appendix 14 to the Listing Rules during the Review Period.

Corporate Governance and Other Information

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the “**Securities Dealing Code**”) on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiries by the Company, that they fully complied with the Model Code and the Securities Dealing Code throughout the Review Period.

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

During the Review Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for the Shares as required under the Listing Rules during the Review Period.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) on 12 December 2019 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chow Chi Fai, Mr. Chan Hon Ki and Mr. Yu Chi Wing, to review on matters regarding internal controls, risk management and financial reporting of the Group.

Corporate Governance and Other Information

REVIEW OF INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the Review Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By order of the Board
Wah Wo Holdings Group Limited
Chen Yuet Wa
Chairman and Executive Director

Hong Kong, 27 November 2020

As at the date of this report, the Board comprises five members, of which Mr. CHEN Yuet Wa and Mr. CHAN Fai are the executive directors of the Company; and the Mr. CHOW Chi Fai, Mr. CHAN Hon Ki and Mr. YU Chi Wing are the independent non-executive directors of the Company.