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WAC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8619)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

This announcement 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.

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	20,401	15,211	36,652	30,561
Cost of services		(11,467)	(9,801)	(22,256)	(20,288)
Gross profit		8,934	5,410	14,396	10,273
Other income		2,571	168	3,162	561
Other losses, net		(860)	(746)	(1,416)	(961)
General and administrative expenses		(4,660)	(5,273)	(9,995)	(12,221)
Finance costs		(19)	(37)	(45)	(77)
Profit/(Loss) before taxation	5	5,966	(478)	6,102	(2,425)
Income tax expenses	6	(786)	(104)	(1,108)	(155)
Profit/(Loss) for the period		5,180	(582)	4,994	(2,580)
Other comprehensive (expense)/income					
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(80)	54	(94)	73
Other comprehensive (expense)/income for the period, net of tax		(80)	54	(94)	73
Total comprehensive income/(expense) for the period attributable to owners of the Company		5,100	(528)	4,900	(2,507)
Earnings/(Loss) per share					
— Basic and diluted (HK cents)	8	0.54	(0.06)	0.52	(0.27)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2020 Notes HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	675	667
Right-of-use assets		5,916	3,046
Deposits paid		797	—
Deferred tax assets		532	526
		7,920	4,239
Current assets			
Trade and other receivables	10	27,023	25,446
Contract assets		13,891	12,629
Income tax recoverable		—	503
Bank balances and cash		39,661	32,318
		80,575	70,896
Current liabilities			
Trade and other payables	11	7,976	4,076
Contract liabilities		4,968	3,683
Lease liabilities		2,591	2,002
Income tax payable		755	270
		16,290	10,031
Net current assets		64,285	60,865
Total assets less current liabilities		72,205	65,104
Non-current liabilities			
Lease liabilities		3,401	1,200
Net assets		68,804	63,904
Capital and reserves			
Share capital	12	9,600	9,600
Reserves		59,204	54,304
Equity attributable to owners of the Company		68,804	63,904

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Legal reserves HK\$'000	Translation reserves HK\$'000	Retained earnings HK\$'000	
At 1 April 2019 (Audited)	9,600	48,760	647	49	165	11,727	70,948
Impact on initial application of HKFRS 16	—	—	—	—	—	(165)	(165)
At 1 April 2019 (Restated)	9,600	48,760	647	49	165	11,562	70,783
Loss for the period	—	—	—	—	—	(2,580)	(2,580)
Other comprehensive income	—	—	—	—	73	—	73
Total comprehensive income/(expense) for the period	—	—	—	—	73	(2,580)	(2,507)
At 30 September 2019 (Unaudited)	9,600	48,760	647	49	238	8,982	68,276
At 1 April 2020 (Audited)	9,600	48,760	647	49	250	4,598	63,904
Profit for the period	—	—	—	—	—	4,994	4,994
Other comprehensive expense	—	—	—	—	(94)	—	(94)
Total comprehensive (expense)/income for the period	—	—	—	—	(94)	4,994	4,900
At 30 September 2020 (Unaudited)	9,600	48,760	647	49	156	9,592	68,804

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	8,714	(4,498)
Net cash generated from investing activities	97	44
Net cash used in financing activities	(1,478)	(1,253)
Net increase/(decrease) in cash and cash equivalents	7,333	(5,707)
Cash and cash equivalents at the beginning of the period	32,318	42,219
Effect of foreign exchange rate changes	10	66
Cash and cash equivalents at the end of the period	39,661	36,578

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2017 under the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The ultimate holding company of the Company is Manning Properties Limited ("Manning Properties"), 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 9/F., 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 six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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 six months ended 30 September 2020 is in conformity with the requirements of the Hong Kong Financial Reporting Standards ("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 six months ended 30 September 2020 are consistent with those adopted in the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 and the audited consolidated financial statements of the Group for the year ended 31 March 2020 shown in the 2020 annual report of the Company except as described below.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

2. BASIS OF PREPARATION (CONTINUED)

Government grants

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

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2020. The adoption of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or the disclosures set out in these unaudited condensed consolidated financial statements. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are provision of comprehensive structural and geotechnical engineering consultancy services mainly in Hong Kong. Disaggregation of revenue from contracts with customers by services lines is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Disaggregation of revenue from contracts with customers by major services lines				
– Construction of new properties	12,010	8,197	22,748	16,748
– Refurbishment/maintenance of existing properties	2,975	5,457	6,412	10,994
– Others	5,416	1,557	7,492	2,819
	20,401	15,211	36,652	30,561
Timing of revenue recognition:				
– Services transferred over time	20,346	15,211	36,546	30,561
– Sales of goods at a point in time	55	—	106	—
	20,401	15,211	36,652	30,561

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

Others represents (i) revenue from provision of expert witness services and other minor works services recognised over the time for the period ended 30 September 2020 and 2019; (ii) revenue from provision of e-commerce online platform consulting services recognised over the time during the period ended 30 September 2020; and (iii) revenue from sales of good recognised at a point in time during the period ended 30 September 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment reporting

The Group currently mainly 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 reportable segment.

Geographical information

Almost all of the Group's external revenue for the six months ended 30 September 2020 is derived from services rendered in Hong Kong, the place of domicile of the Group's principal operating entities. Almost all of the non-current assets employed by the Group are located in Hong Kong. Hence, no geographical information is presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Staff costs				
Directors' remuneration	1,394	1,390	2,790	3,815
Salaries, wages and other benefits	10,610	9,147	21,247	19,123
Contributions to defined contribution retirement plan, excluding those of Directors	378	234	713	660
Total staff costs	12,382	10,771	24,750	23,598
Less: Amount included in general and administrative expenses	(1,686)	(1,545)	(3,852)	(5,139)
Total staff costs included in cost of services	10,696	9,226	20,898	18,459
(b) Finance costs				
Interest expenses on lease liabilities	19	37	45	77
(c) Other items				
Auditor's remuneration (including remuneration for non-audit services)	266	240	435	365
Exchange (gains)/losses, net	(44)	41	(50)	86
Depreciation of property, plant and equipment	110	92	214	186
Depreciation of right-of-use assets	700	676	1,398	1,280
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	968	706	1,624	875
Government grants (<i>Note</i>)	(2,586)	—	(2,586)	—

Note: Being the grants received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region of the People's Republic of China and Macau which are included in "Other income" for the six months ended 30 September 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

6. INCOME TAX EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	770	95	1,114	156
Deferred taxation:				
Origination and reversal of temporary differences	16	9	(6)	(1)
	786	104	1,108	155

(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 six months ended 30 September 2020 and 2019. The assessable profits of group entities not qualifying for the two-tiered profit tax regime are taxed at a flat rate of 16.5%.

(b) PRC Enterprise Income Tax

No provision for PRC Enterprise Income Tax has been made as the subsidiary incorporated in the People's Republic of China (the "PRC") has estimated tax losses for the six months ended 30 September 2020 and 2019.

(c) Macau Complementary Tax

No provision for Macau Complementary Tax has been made as the subsidiary incorporated in Macau has estimated tax losses for the six months ended 30 September 2020 and 2019.

(d) Cayman Islands and BVI Income Tax

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 September		Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit/(Loss) for the period attributable to owners of the Company	5,180	(582)	4,994	(2,580)
Number of shares:				
Weighted average number of ordinary shares in issue ('000 Number of shares)	960,000	960,000	960,000	960,000
Basic and diluted earnings/(loss) per share (HK cents)	0.54	(0.06)	0.52	(0.27)

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment of approximately HK\$23,000 (30 September 2019: HK\$218,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade receivables	31,575	27,920
Less: Allowance for trade receivables	(5,474)	(4,010)
Trade receivables, net of loss allowance	26,101	23,910
Deposits, prepayments and other receivables	922	1,536
	27,023	25,446

The following is an ageing analysis of the Group's trade receivables presented based on invoice dates at the end of the reporting period, net of allowance for credit losses recognised:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Within 30 days	10,339	4,156
Over 30 days and within 90 days	3,609	5,872
Over 90 days and within 180 days	5,926	6,611
Over 180 days	6,227	7,271
	26,101	23,910

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

11. TRADE AND OTHER PAYABLES

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Trade payables	373	599
Accrued expenses and other payables	7,603	3,477
	7,976	4,076

The ageing analysis of the Group's trade payables based on the invoice dates is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Within 30 days	239	265
Over 30 days and within 60 days	—	176
Over 60 days and within 90 days	12	—
Over 90 days	122	158
	373	599

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	1,500,000,000	15,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020	960,000,000	9,600

13. ACQUISITION OF A SUBSIDIARY

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

For details of the VIE arrangement, please refer to the announcement of the Company dated 29 April 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

13. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value of the identifiable assets and liabilities of Zhouji Network acquired as at its date of establishment of the VIE agreement, which has no significant difference from its carrying amount, is as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	198
Trade receivables	1,015
Deposits, prepayments and other receivables	278
Bank and cash balances	13
Trade and other payables	(1,284)
Current tax liabilities	(57)
	163
Gain from a bargain purchase	163
Satisfied by:	
Cash	—
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Cash and cash equivalents acquired	13
	13

The Group recognised a gain from a bargain purchase of approximately HK\$163,000 in the business combination. The gain is included in "Other income".

Zhouji Network incurred a loss of approximately HK\$227,000 for the period between the date of acquisition and the end of the reporting period ended 30 September 2020.

If the acquisition had been completed on 1 April 2020, total Group's revenue for the period ended 30 September 2020 would have been HK\$36.7 million, and profit of the Group for the period ended 30 September 2020 would have been HK\$4.5 million. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is intended to be a projection of future results.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

14. RELATED PARTY TRANSACTIONS

Transactions

In addition to the related party transactions disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group entered into the following transactions with its related party during the period:

	Three months ended 30 September		Six months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consultancy fee received from Win Win Way Construction Co., Limited ("Win Win Way"), included in revenue	3	418	136	617

Win Win Way is a subsidiary of CT Vision (International) Holdings Limited ("CT Vision"), formerly known as Win Win Way Construction Holdings Ltd. and Mr. Kwong was an executive director of CT Vision up to 26 April 2019. Mr. Kwong has been appointed as a director of Win Win Way since 26 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

During the six months ended 30 September 2020, the Group recorded an increase in revenue of approximately 19.9% to approximately HK\$36.7 million from approximately HK\$30.6 million for the preceding financial period. The increase was mainly due to the increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and e-commerce retail online platform of approximately HK\$3.2 million and HK\$2.9 million, respectively, for the six months ended 30 September 2020.

The Group was focusing on developing business opportunities from existing clients and was looking for increasing the types of consultancy services to be provided to various clients. Looking forward, 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group increased from approximately HK\$30.6 million for the six months ended 30 September 2019 to approximately HK\$36.7 million for the six months ended 30 September 2020, representing an increase of approximately 19.9%. Such increase was mainly due to the increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and e-commerce retail online platform of approximately HK\$3.2 million and HK\$2.9 million, respectively, for the six months ended 30 September 2020.

Cost of Services

The cost of services increased from approximately HK\$20.3 million for the six months ended 30 September 2019 to approximately HK\$22.3 million for the six months ended 30 September 2020, representing an increase of approximately 9.7%. Such increase was mainly attributable to the increase in the staff costs during the six months ended 30 September 2020.

Gross Profit

Gross profit of the Group increased by approximately HK\$4.1 million from approximately HK\$10.3 million for the six months ended 30 September 2019 to approximately HK\$14.4 million for the six months ended 30 September 2020. The increase was mainly caused by the increase in revenue for the six months ended 30 September 2020. The staff costs of the cost of services was accounted for approximately 93.9% and 91.0% for the six months ended 30 September 2020 and 2019, respectively. The overall gross profit margin increased from approximately 33.6% for the six months ended 30 September 2019 to approximately 39.3% for the six months ended 30 September 2020.

Other Income

The other income of the Group for the six months ended 30 September 2020 and 2019 were approximately HK\$3.2 million and HK\$0.6 million respectively, representing an increase of approximately 463.6%. The substantial increase was mainly attributable to the receipt of subsidies of approximately HK\$2.6 million under the Employment Support Scheme launched by the Government of Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong").

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

General and administrative expenses of the Group decreased by approximately HK\$2.2 million or 18.2% from approximately HK\$12.2 million for the six months ended 30 September 2019 to approximately HK\$10.0 million for the six months ended 30 September 2020. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, 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) discretionary bonus, which occurred during the six months ended 30 September 2019, for the six months ended 30 September 2020.

Finance Costs

Finance costs amounted to approximately HK\$0.1 million for both periods, they represented interest expenses on lease liabilities for the six months ended 30 September 2020 and 2019 respectively.

Income Tax Expenses

Income tax expenses of the Group increased by approximately HK\$0.9 million or 614.8% from approximately HK\$0.2 million for the six months ended 30 September 2019 to approximately HK\$1.1 million for the six months ended 30 September 2020 and such increase was consistent with the increase in estimated assessable profits of a major operating subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(Loss) for the Period

Profit for the period of the Group amounted to approximately HK\$5.0 million for the six months ended 30 September 2020 (for the six months ended 30 September 2019: loss of approximately HK\$2.6 million). The profit was primarily attributable to the (i) increase in gross profit resulting from increase in revenue; (ii) receipt of subsidies under the Employment Support Scheme launched by Government of Hong Kong; (iii) decrease in legal and professional fees; and (iv) discretionary bonus, which occurred during the six months ended 30 September 2019, for the six months ended 30 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

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

The current ratio decreased from approximately 7.1 times as at 31 March 2020 to 5.0 times as at 30 September 2020. The decrease was mainly due to the (i) decrease in deposits paid in trade and other receivables; and (ii) increase in trade and other payables and contract liabilities as at 30 September 2020.

As at 30 September 2020 and 31 March 2020, the Group had no borrowings. The gearing ratio as at 30 September 2020, 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 announcement, 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 ordinary shares in issue was 960,000,000.

COMMITMENTS

As at 30 September 2020, the Group did not have any capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2020, save for the business plans set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 September 2020, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2020 (31 March 2020: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF GROUP'S ASSETS

The Group did not have any pledged assets as at 30 September 2020 (31 March 2020: nil).

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

The COVID-19 outbreak since early 2020 has exerted certain downward pressure on the overall economy in various countries and regions, including Hong Kong, the People's Republic of China and Macau. Given the continuous spread of the disease, the Board considers it is impracticable to estimate the financial impact on the Group as at the date when the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are authorised to issue. The Board will closely monitor the development of the COVID-19 and continue to evaluate its impact on the business, financial position and operating results of the Group.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no significant event relating to the business or financial performance of the Group that come to the attention of the Directors after 30 September 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed a total of 144 employees (30 September 2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$24.8 million for the six months ended 30 September 2020 (30 September 2019: approximately HK\$23.6 million). Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. The remuneration packages mainly comprise basic salaries, medical coverage, overtime allowance, travelling allowance and discretionary bonuses based on individual performance, which are offered to employees as recognition of and reward for their contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The shares of the Company were successfully listed on GEM of the Stock Exchange on 17 September 2018. The net proceeds from the Share Offer received by the Company was approximately HK\$26.9 million (after deduction of listing expenses). Up to 30 September 2020, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus as follows:

Business strategies	Allocation of total net proceeds designated in the Prospectus HK\$' million	Actual usage of net proceeds up to 30 September 2020 HK\$' million	Unutilised net proceeds as at 30 September 2020 HK\$' million	Expected timeline for utilising the unutilised net proceeds
Support and expand our structural and geotechnical engineering team	7.9	6.1	1.8	From 1 October 2020 to 31 March 2022
Grow and develop our civil engineering team	7.9	1.5	6.4	From 1 October 2020 to 31 March 2022
Expand our office infrastructure and BIM upgrade	5.2	0.4	4.8	From 1 October 2020 to 31 March 2022
Support and expand our material engineering and building repairs area of service	4.7	—	4.7	From 1 October 2020 to 31 March 2022
General working capital	1.2	1.2	—	Not applicable
	26.9	9.2	17.7	

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

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

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

As at 30 September 2020, interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Company's shares

Name of Directors	Capacity/Nature of interest	Number and class of shares	Approximate percentage of shareholding in the total issued share capital of the Company ^(Note 2)
Dr. Chan Yin Nin ("Dr. Chan") ^(Note 1)	Interest in controlled corporation	394,072,000 ordinary shares	41.05%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	Interest in controlled corporation	394,072,000 ordinary shares	41.05%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 41.05% of the total share capital of the Company. Dr. Chan and Mr. Kwong, as the Concerted Group, restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 394,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 960,000,000 shares as at 30 September 2020.

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

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

Note: Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds 394,072,000 shares of the Company, representing approximately 41.05% of the total share capital of the Company.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2020, interests and short positions of the person (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number and class of shares	Long/short position	Approximate percentage of shareholding in the total issued share capital of the Company (Note 4)
Manning Properties Limited (Note 1)	Beneficial owner	394,072,000 ordinary shares	Long	41.05%
Ms. Julia Gower Chan (Note 2)	Interest of spouse	394,072,000 ordinary shares	Long	41.05%
Ms. Leung Kwai Ping (Note 3)	Interest of spouse	394,072,000 ordinary shares	Long	41.05%
Mr. Xie Liang	Beneficial owner	77,000,000 ordinary shares	Long	8.02%
Ms. Chen Xiao Fen	Interest of spouse	77,000,000 ordinary shares	Long	8.02%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Manning Properties Limited is owned as to approximately 68.2% by Dr. Chan and approximately 31.8% by Mr. Kwong, which in turn holds approximately 41.05% of the total share capital of the Company. As the Concerted Group, Dr. Chan and Mr. Kwong restrict their ability to exercise direct control over the Company by holding their interests through Manning Properties Limited, a common investment holding company, and as a result Dr. Chan and Mr. Kwong are presumed to be a group of controlling shareholders pursuant to the Guidance Letter HKEx-GL89-16 issued in November 2016. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 394,072,000 shares held by Manning Properties Limited.
- (2) Ms. Julia Gower Chan is the spouse of Dr. Chan. By virtue of the SFO, Ms. Julia Gower Chan is deemed to be interested in the shares of the Company interested by Dr. Chan.
- (3) Ms. Leung Kwai Ping is the spouse of Mr. Kwong. By virtue of the SFO, Ms. Leung Kwai Ping is deemed to be interested in the shares of the Company interested by Mr. Kwong.
- (4) Based on the number of issued share of 960,000,000 shares as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and the Associated Corporation” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS OF COMPLIANCE ADVISER

As at 30 September 2020, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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 six months ended 30 September 2020.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2020 and up to the date of this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules with an exception of deviation from code provision A.1.8 as explained below:

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules. The Company had made specific 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 six months ended 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

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 six months ended 30 September 2020 and there were no share options outstanding as at 30 September 2020.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 27 August 2018 with its written terms of reference in compliance with the GEM Listing Rules and in accordance with the provisions set out in the CG Code which is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and accounts, interim report and quarterly reports before submission to the Board. The Audit Committee currently consists of three members, namely Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran, all being independent non-executive Directors. Ms. Chu Moune Tsi, Stella currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020.

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

Hong Kong, 12 November 2020

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