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Wah Wo Holdings Group Limited

華和控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9938)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The board (“**Board**”) of directors (the “**Directors**”) of Wah Wo Holdings Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$350.8 million for the year ended 31 March 2021, representing an increase of approximately 43% as compared with the year ended 31 March 2020.
2. Gross profit was approximately HK\$21.4 million for the year ended 31 March 2021, representing a decrease of approximately 65% as compared with approximately HK\$60.9 million for the year ended 31 March 2020.
3. Profit attributable to owners of the Company was approximately HK\$6.0 million for the year ended 31 March 2021, representing a decrease of approximately 78% as compared with approximately HK\$27.7 million for the year ended 31 March 2020.
4. Basic earnings per share was approximately HK0.60 cent for the year ended 31 March 2021 (2020: basic earnings per share: HK3.45 cents).
5. The Board does not recommend the payment of final dividend for the year ended 31 March 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	4	350,847	245,474
Cost of sales		<u>(329,466)</u>	<u>(184,554)</u>
Gross profit		21,381	60,920
Other income and gain	4	5,194	1,265
Administrative expenses		(15,734)	(26,645)
Reversal of provision/(provision) for impairment loss allowances, net		(2,424)	432
Finance costs	5	<u>(107)</u>	<u>(116)</u>
PROFIT BEFORE TAX	6	8,310	35,856
Income tax expense	7	<u>(2,358)</u>	<u>(8,206)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>5,952</u>	<u>27,650</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	<u>HK0.60 cent</u>	<u>HK3.45 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,135	872
Right-of-use assets		3,076	742
Deposits		461	143
Deferred tax asset		302	–
		<hr/>	<hr/>
Total non-current assets		9,974	1,757
CURRENT ASSETS			
Contract assets	<i>10</i>	44,916	53,441
Trade receivables	<i>11</i>	60,612	6,829
Prepayments, deposits and other receivables		31,195	9,021
Tax recoverable		5,446	–
Pledged deposits		29,231	4,416
Cash and cash equivalents		84,835	182,117
		<hr/>	<hr/>
Total current assets		256,235	255,824
CURRENT LIABILITIES			
Contract liability	<i>10</i>	944	–
Trade and retention payables	<i>12</i>	11,311	6,927
Other payable and accruals		1,889	5,236
Lease liabilities		1,530	468
Tax payable		–	109
Provisions for rectification works		7,119	8,950
		<hr/>	<hr/>
Total current liabilities		22,793	21,690
NET CURRENT ASSETS		<hr/> 233,422	<hr/> 234,134
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 243,416	<hr/> 235,891
NON-CURRENT LIABILITIES			
Lease liabilities		1,720	279
Deferred tax liability		227	95
		<hr/>	<hr/>
Total non-current liabilities		1,947	374
Net assets		<hr/> 241,469	<hr/> 235,517
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>13</i>	10,000	10,000
Reserves		231,469	225,517
		<hr/>	<hr/>
Total equity		<hr/> 241,469	<hr/> 235,517

NOTES TO FINANCIAL STATEMENTS

31 March 2021

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.

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

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of aluminium works related services and the 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.

Information about major customers

Revenue from external customers contributing to 10% or more of the total revenue of the Group is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	207,705	41,356
Customer B	<u>110,423</u>	<u>141,921</u>

4. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers	<u>350,847</u>	<u>245,474</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Type of goods and services		
Construction services of residential buildings	339,168	209,172
Construction services of non-residential buildings	11,256	36,302
Trading of tools and equipment	423	–
Total revenue from contracts with customers	<u>350,847</u>	<u>245,474</u>
Timing of revenue recognition		
Services transferred over time	350,424	245,474
Goods transferred at a point of time	423	–
Total revenue from contracts with customers	<u>350,847</u>	<u>245,474</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liability at the beginning of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liability at the beginning of the reporting period		
Construction services	–	1,247
	<u>–</u>	<u>1,247</u>

(ii) Performance obligation

Information about the Group's performance obligation is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuance of the payment certificate. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Unsatisfied performance obligations related to construction contracts:

	2021 HK\$'000	2020 HK\$'000
Amounts of transaction prices expected to be recognised:		
Within one year	221,316	330,717
After one year	40,100	108,258
	<u>261,416</u>	<u>438,975</u>

The amounts of contract sum allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within three years. All the other amounts of contract sum allocated to remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Trading of tools and equipment

The performance obligation is satisfied upon delivery of tools and equipment and payment is generally due within 30 days upon delivery.

An analysis of other income and gain is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gain		
Bank interest income	1,228	969
Recovery of bad debts	830	–
Government subsidies [^]	3,136	–
Government grants [*]	–	296
	<u>5,194</u>	<u>1,265</u>

[^] Government subsidies were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region (the “**HKSAR Government**”). There were no unfulfilled conditions or contingencies relating to the subsidies.

^{*} Government grants were received from the HKSAR Government to support the technology upgrades and the operation of the Group. There were no unfulfilled conditions or contingencies relating to the grants.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	107	13
Interest on bank borrowings	–	103
	<u>107</u>	<u>116</u>

6. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract costs	329,466	184,554
Auditor’s remuneration	1,746	1,598
Depreciation of property, plant and equipment	1,314	337
Depreciation of right-of-use assets	1,269	416
Lease payments not included in the measurement of lease liabilities	235	143
Provision/(reversal of provision) for impairment of contract assets, net [#]	947	(280)
Provision/(reversal of provision) for impairment of trade receivables, net [#]	1,477	(152)
Net provision for rectification works [*]	<u>1,789</u>	<u>3,065</u>

^{*} For the year ended 31 March 2021, net provision for rectification works of HK\$1,789,000 (2020: HK\$3,065,000) is included in contract costs disclosed above.

[#] Included in “Reversal of provision/(provision) for impairment loss allowances, net” in the consolidated statement of profit or loss and other comprehensive income.

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 year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	1,061	8,142
Underprovision in prior years	1,467	5
Deferred	(170)	59
	<hr/>	<hr/>
Total tax charge for the year	2,358	8,206
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

The board of directors has resolved not to declare any dividend for the year ended 31 March 2021 (2020: 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 year attributable to ordinary equity holders of the Company of HK\$5,952,000 (2020: HK\$27,650,000), and the weighted average number of ordinary shares of 1,000,000,000 (2020: 801,913,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

10. CONTRACT ASSETS/(LIABILITY)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract assets		
— Unbilled revenue	10,558	29,585
— Retention receivables	34,711	23,863
	<hr/>	<hr/>
	45,269	53,448
Impairment	(353)	(7)
	<hr/>	<hr/>
	44,916	53,441
	<hr/> <hr/>	<hr/> <hr/>
Contract liability	944	—
	<hr/> <hr/>	<hr/> <hr/>

Movements in gross carrying amounts of contract assets:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	53,448	71,034
Additions in contract assets	32,087	40,761
Transfer to trade receivables	(39,665)	(58,252)
Write-off of contract assets	(601)	(95)
	<u>45,269</u>	<u>53,448</u>
At end of the year	<u>45,269</u>	<u>53,448</u>

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.

The decreases in contract assets as at 31 March 2021 and 2020 were the result of the decreases in the provision of construction services near the end of the years.

The Group's trading terms and credit policy with customers are disclosed in note 11 to the financial statements in this announcement.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	16,300	35,449
After one year	28,616	17,992
	<u>44,916</u>	<u>53,441</u>

Movements in contract liability:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	–	1,247
Receipt from a customer	944	–
Revenue recognised that was included in the contract liability balance at beginning of the year	–	(1,247)
	<u>944</u>	<u>–</u>
At end of the year	<u>944</u>	<u>–</u>

The contract liability primarily related to the Group's obligation to transfer services to customer for which the Group has received consideration from the customer.

11. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	62,092	6,832
Impairment	(1,480)	(3)
	<u>60,612</u>	<u>6,829</u>

Trade receivables mainly 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 the reporting period, based on the progress payment certificate date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	3,923	2,515
31 to 90 days	54,067	2,697
91 to 120 days	902	1,617
Over 120 days	1,720	–
	<u>60,612</u>	<u>6,829</u>

12. TRADE AND RETENTION PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	11,311	6,637
Retention payable	–	290
	<u>11,311</u>	<u>6,927</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	5,900	5,664
31 to 90 days	3,910	445
Over 90 days	1,501	528
	11,311	6,637
Retention payables	–	290
	11,311	6,927

At 31 March 2020, retention payable was 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.

13. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
10,000,000,000 (2020: 10,000,000,000) ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,000,000,000 (2020: 1,000,000,000) ordinary shares of HK\$0.01 each	10,000	10,000

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

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 April 2019		38,000,000	380
Increase in authorised share capital	<i>(a)</i>	<u>9,962,000,000</u>	<u>99,620</u>
At 31 March 2020, 1 April 2020 and 31 March 2021		<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:			
At 1 April 2019		3	–
Capitalisation issue	<i>(b)</i>	749,999,997	7,500
Issue of shares under initial public offering	<i>(c)</i>	<u>250,000,000</u>	<u>2,500</u>
At 31 March 2020, 1 April 2020 and 31 March 2021		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

Notes:

- (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) 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 Mr. Chen Yuet Wa (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 (c) below.
- (c) 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.

BUSINESS REVIEW AND OUTLOOK

The Group is an established contractor engaged in façade works with a focus on window in Hong Kong. Façade works can be classified into window, window wall system, curtain wall system and other façade 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 façade 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 façade 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.

As at 31 March 2021, the Group has a total of nine ongoing projects, each with an awarded contract sum (exclusive of variation orders) of over HK\$5 million. The aggregate contract sums and the aggregated revenue recognised (inclusive of variation orders and contract sum adjustments as at 31 March 2021) of these ongoing projects as at 31 March 2021 amounted to approximately HK\$716.2 million and HK\$461.4 million respectively.

The Group recorded gross profit of approximately HK\$21.4 million for the year ended 31 March 2021 (the “**Year**”), as compared with the gross profit of approximately HK\$60.9 million for the year ended 31 March 2020. The Group’s gross profit margin for the Year was approximately 6.1% as compared with approximately 24.8% for the year ended 31 March 2020. Such decrease in gross profit and gross profit margin were mainly because (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 Group’s tendering price and profit margin of new projects. The aforementioned factors significantly undermined the overall profitability of the Group.

Looking forward, the Group will continue to actively explore and consider any suitable development opportunities in the industry that can broaden our revenue base and are beneficial to the Group and its shareholders as a whole.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$105.3 million or approximately 43% from approximately HK\$245.5 million for the year ended 31 March 2020 to approximately HK\$350.8 million for the Year. The increase in revenue was mainly driven by the revenue contributed by some of our on-going projects in execution-peak stage during the Year.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK\$21.4 million, representing a decrease of approximately 65% as compared with approximately HK\$60.9 million for the year ended 31 March 2020. The Group's gross profit margin for the Year was approximately 6.1%, as compared with approximately 24.8% for the year ended 31 March 2020. The decrease in gross profit and gross profit margin was primarily due to the reasons as mentioned under the section "Business Review and Outlook".

Other Income and Gain

Other income and gain of the Group for the Year amounted to approximately HK\$5.2 million, representing an increase of approximately 311% or HK\$3.9 million as compared with approximately HK\$1.3 million for the year ended 31 March 2020. The increase was primarily due to the increase in bank interest income generated from bank deposits, recovery of bad debt and the government subsidies from the Employment Support Scheme under the Anti-epidemic Fund of the HKSAR Government for the Year.

Administrative Expenses

The administrative expenses of the Group for the Year amounted to approximately HK\$15.7 million, representing an increase of approximately 35.3% as compared with approximately HK\$11.6 million (excluding non-recurring listing expenses of approximately HK\$15.0 million) for year ended 31 March 2020. The increase was mainly attributable to (i) the increase of administrative staff costs (including directors' emoluments) due to the general increment in salaries for the Directors and administrative, accounting and finance staffs; (ii) the increase in recurring post-listing professional fees; (iii) increase in depreciation of property, plant and equipment; and (iv) increase in depreciation of right-of-use assets.

Finance Costs

Finance costs of the Group for the Year were approximately HK\$107,000, representing a decrease of approximately 8% as compared with approximately HK\$116,000 for the year ended 31 March 2020. The decrease was mainly attributable to the repayment of bank borrowings before the Year and partially offset by increase in interest from lease liabilities.

Profit for the year

Profit attributable to owners of the Company for the Year decreased by approximately HK\$21.7 million or approximately 78% from approximately HK\$27.7 million for the year ended 31 March 2020 to approximately HK\$6.0 million for the Year. The decrease in the Group's net profit for the Year was mainly due the decrease in gross profit and gross profit margin as discussed above.

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 31 March 2021, 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 31 March 2021, the Group had total cash and bank balances of approximately HK\$84.8 million (2020: approximately HK\$182.1 million). There were no bank borrowings of the Group as at 31 March 2021 and 2020. 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 31 March 2021, the Group had approximately HK\$29.2 million (2020: approximately 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 Year (2020: Nil).

GEARING RATIO

As at 31 March 2021, the gearing ratio (calculated as total debts (including lease liabilities) divided by the total equity) was approximately 1.3% (2020: approximately 0.3%).

CAPITAL EXPENDITURE

During the Year, the Group invested approximately HK\$6.6 million (2020: approximately HK\$112,000) on the acquisition of property, plant and equipment mainly for the use of the warehouse and office premises which operated since November 2020. Capital expenditure was principally funded by internal resources.

LEASES

During the Year, the Group entered into a new lease arrangement with Ms. Wong Chun Siu, the spouse of the Controlling Shareholder, for the use of a warehouse and office premises. Upon initial recognition, the Group recognised a right-of-use asset and a lease liability of approximately HK\$7,206,000. Pursuant to the supplemental agreement signed in December 2020, the lease period was changed to fixed lease period of three years and upon its expiration, it shall be renewable for an additional three years subject to agreement of terms by both parties. The right-of-use asset and the lease liability were reduced by approximately HK\$3,603,000 and HK\$3,447,000 respectively. Details of the lease arrangement were disclosed in the announcements of connected transaction of the Company dated 10 December 2020 and supplemental announcement dated 11 January 2021.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2021 and 2020, the Group had no material capital commitments.

As at 31 March 2021, contingent liabilities not provided for in the financial statements are guarantees given to a bank for surety bonds of approximately HK\$39.5 million (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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

SIGNIFICANT INVESTMENT HELD

During the Year, 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 (the “**Prospectus**”) of the Company dated 31 December 2019, the Group did not have any other plans for material investments or capital assets as at 31 March 2021.

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 31 March 2021 is set out below:

	Estimated use of proceeds as per Allotment Results <i>HK\$ million</i>	Adjusted use of proceeds from the Listing <i>HK\$ million</i>	Actual utilised amount from the Listing date to 31 March 2021 <i>HK\$ million</i>	Unutilised amount as at 31 March 2021 <i>HK\$ million</i>	Expected timeframe of full utilisation of unutilised amount from the share offer
Satisfying surety bond requirement	32.7	31.2	24.7	6.5	Fourth quarter of 2021
Upfront costs of our awarded projects	32.8	31.4	28.6	2.8	Third quarter of 2021
Expansion of project management team, design team, supporting staff and rent a new office	12.0	11.5	6.9	4.6	First quarter of 2022
General working capital	5.0	4.8	4.8	–	
	<u>82.5</u>	<u>78.9</u>	<u>65.0</u>	<u>13.9</u>	

The unutilised net proceeds as at 31 March 2021 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 announcement, 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed a total of 73 employees (including executive Directors and independent non-executive Directors), as compared to a total of 68 employees as at 31 March 2020. Total staff costs which include Directors' emoluments for the Year were approximately HK\$33.7 million (2020: approximately HK\$29.4 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 Year, 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.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration and payment of a final dividend to shareholders of the Company for the Year.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, First Shanghai Capital Limited ("**First Shanghai**"), as at 31 March 2021, except for the compliance adviser agreement entered into between the Company and First Shanghai dated 23 August 2019, neither First Shanghai nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the corporate governance code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The Company has complied with the code provisions under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices appropriate to the operation and growth of the business of the Group.

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 Year, 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 announcement, 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.

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 for Securities Transactions by Directors of Listed Issuers (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 Year.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the Controlling Shareholder 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 Year.

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 Year.

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. The Audit Committee had reviewed the Group’s annual results for the financial year ended 31 March 2021 and confirmed that they were prepared in accordance with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company’s auditor, Ernst and Young, to the amounts set out in the Group’s draft consolidated financial statements for the Year. The work performed by Ernst and Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst and Young on the preliminary announcement.

PUBLICATIONS OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.wahwoalum.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 March 2021 will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28 June 2021

As at the date of this announcement, 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.