

WAC Holdings Limited

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

2022

Interim Report



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

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This report, for which the directors (the “Director(s)”) of WAC Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its posting. This report will also be published on the website of the Company at www.wcce.hk.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Chan Yin Nin (*Chairman*)
Mr. Kwong Po Lam (*Managing Director*)
Ms. Leung Suet Yiu
Mr. Man Kwok Hing

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Sin Pui Ying

COMPLIANCE OFFICER

Dr. Chan Yin Nin

AUTHORISED REPRESENTATIVES

Dr. Chan Yin Nin
Ms. Sin Pui Ying

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

McMillan Woods (Hong Kong) CPA Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Floor 9
9 Wing Hong Street
Cheung Sha Wan
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

CMB Wing Lung Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited
Bank of China (HK) Limited

WEBSITE ADDRESS

www.wcce.hk

PLACE OF LISTING

GEM of the Stock Exchange

STOCK CODE

8619



The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 together with the unaudited comparative figures for the corresponding period in 2021, 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	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	25,058	19,644	45,472	36,502
Cost of services		(14,180)	(13,753)	(29,380)	(25,459)
Gross profit		10,878	5,891	16,092	11,043
Other income		2,260	323	2,369	698
Other losses, net		(2,780)	(2,349)	(2,952)	(3,112)
General and administrative expenses		(6,932)	(4,748)	(11,619)	(9,021)
Share of result of an associate		(524)	(80)	(733)	(80)
Finance costs		(43)	(69)	(94)	(125)
Profit/(loss) before taxation	5	2,859	(1,032)	3,063	(597)
Income tax expenses	6	(661)	(139)	(795)	(356)
Profit/(loss) for the period		2,198	(1,171)	2,268	(953)
Other comprehensive expense					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		153	(2)	248	(27)
Other comprehensive income/ (expense) for the period, net of tax		153	(2)	248	(27)
Total comprehensive income/ (expense) for the period attributable to owners of the Company		2,351	(1,173)	2,516	(980)
Earnings/(loss) per share					
– Basic and diluted (HK cents)	8	0.19	(0.11)	0.20	(0.09)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	2,733	1,419
Right-of-use assets		2,838	4,354
Deferred tax assets		1,271	1,001
Investment in an associate	13	17,287	18,020
		24,129	24,794
Current assets			
Trade and other receivables	10	37,665	34,900
Financial assets at FVTPL		766	766
Contract assets		21,719	22,089
Cash and cash equivalents		41,649	37,836
		101,799	95,591
Current liabilities			
Trade and other payables	11	9,904	8,260
Contract liabilities		19,394	17,416
Lease liabilities		797	1,952
Income tax payable		1,217	244
		31,312	27,872
Net current assets		70,487	67,719
Total assets less current liabilities		94,616	92,513
Non-current liabilities			
Lease liabilities		2,147	2,560
Net assets		92,469	89,953
Capital and reserves			
Share capital	12	11,520	11,520
Reserves		80,949	78,433
Equity attributable to owners of the Company		92,469	89,953

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 2021 (Audited)	9,600	48,760	647	49	127	10,913	70,096
Loss for the period	-	-	-	-	-	(953)	(953)
Other comprehensive expense	-	-	-	-	(27)	-	(27)
Total comprehensive expense for the period	-	-	-	-	(27)	(953)	(980)
Issuance of shares in accordance with acquisition of an associate (note 13)	1,920	22,656	-	-	-	-	24,576
At 30 September 2021 (Unaudited)	11,520	71,416	647	49	100	9,960	93,692
At 1 April 2022 (Audited)	11,520	71,416	647	49	59	6,262	89,953
Profit for the period	-	-	-	-	-	2,268	2,268
Other comprehensive income	-	-	-	-	248	-	248
Total comprehensive income for the period	-	-	-	-	248	2,268	2,516
At 30 September 2022 (Unaudited)	11,520	71,416	647	49	307	8,530	92,469

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	6,462	5,592
Net cash (used in) investing activities	(1,494)	(191)
Net cash (used in) financing activities	(1,155)	(1,492)
Net increase in cash and cash equivalents	3,813	3,909
Cash and cash equivalents at the beginning of the period	37,836	39,784
Effect of foreign exchange rate changes	-	1
Cash and cash equivalents at the end of the period	41,649	43,694



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 2022 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 2022 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 2022 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 2021 and the audited consolidated financial statements of the Group for the year ended 31 March 2022 shown in the 2022 annual report of the Company.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 2022. 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.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Disaggregation of revenue from contracts with customers by major services lines				
– Construction of new properties	21,106	11,943	37,835	22,911
– Refurbishment/maintenance of existing properties	2,639	3,646	5,048	6,680
– Others	1,313	4,055	2,589	6,911
	25,058	19,644	45,472	36,502
Timing of revenue recognition:				
– Services transferred over time	25,058	19,644	45,472	36,502
– Sales of goods at a point in time	–	–	–	–
	25,058	19,644	45,472	36,502

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (Continued)

Revenue mainly represents the contract revenue from provision of comprehensive structural and geotechnical engineering consultancy services recognised over the time during the periods ended 30 September 2022 and 2021.

Others represents (i) revenue from provision of expert witness services and other minor works services recognised over the time for the periods ended 30 September 2022 and 2021; (ii) revenue from provision of e-commerce online platform consulting services recognised over the time during the period ended 30 September 2021; and (iii) revenue from sales of good recognised at a point in time during the period ended 30 September 2021.

The Group currently operates in one single operating segment which is comprehensive structural and geotechnical engineering consultancy services. For the purpose of resources allocation and performance assessment, the chief operating decision makers (i.e. the directors of the Company) review the overall results and financial position of the Group as a whole prepared in accordance with accounting policies which conform to HKFRSs. Accordingly, the Group presents only one single reportable segment.

Geographical information

Almost all of the Group's external revenue for the six months ended 30 September 2022 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 2022

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(a) Staff costs				
Directors' remuneration	2,669	2,847	5,229	4,292
Salaries, wages and other benefits	11,596	10,684	23,041	20,900
Contributions to defined contribution retirement plan, excluding those of Directors	481	449	992	871
Total staff costs	14,746	13,980	29,262	26,063
Less: Amount included in general and administrative expenses	(3,322)	(1,682)	(4,762)	(3,350)
Total staff costs included in cost of services	11,424	12,298	24,500	22,713
(b) Finance costs				
Interest expenses on bank borrowing	-	4	-	4
Interest expenses on lease liabilities	43	65	94	121
	43	69	94	125
(c) Other items				
Auditor's remuneration (including remuneration for non-audit services)	175	298	345	447
Exchange loss/(gains), net	322	(2)	563	(79)
Depreciation of property, plant and equipment	139	83	284	160
Depreciation of right-of-use assets	695	693	1,393	1,388
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	2,390	1,167	239	2,007
Government subsidies	1,671	-	1,671	-
Impairment losses on interest in an associate	-	1,184	-	1,184

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

6. INCOME TAX EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	731	264	972	335
Deferred taxation:				
Origination and reversal of temporary differences	(70)	(125)	(177)	21
	661	139	795	356

(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 2022 and 2021. 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 2022 and 2021.

(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 2022 and 2021.

(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 2022

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company	2,198	(1,171)	2,268	(953)
Number of shares:				
Weighted average number of ordinary shares in issue ('000 Number of shares)	1,152,000	1,108,174	1,152,000	1,034,492
Basic and diluted earnings/(loss) per share (HK cents)	0.19	(0.11)	0.20	(0.09)

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 of the Company.

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 2022

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property, plant and equipment of approximately HK\$1,500,000 (30 September 2021: HK\$236,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Trade receivables	37,688	37,033
Less: Allowance for trade receivables	(10,501)	(8,854)
Trade receivables, net of loss allowance	27,187	28,179
Deposits, prepayments and other receivables	10,478	6,721
	37,665	34,900

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 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Within 30 days	7,208	6,936
Over 30 days and within 90 days	6,059	9,818
Over 90 days and within 180 days	7,710	4,048
Over 180 days	6,210	7,377
	27,187	28,179

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

11. TRADE AND OTHER PAYABLES

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Trade payables	2,708	1,645
Provision for annual leave and long service payment	2,400	2,145
Accrued expenses and other payables	4,796	4,470
	9,904	8,260

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

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Within 30 days	1,732	516
Over 30 days and within 60 days	80	225
Over 60 days and within 90 days	75	134
Over 90 days	821	770
	2,708	1,645

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	1,500,000,000	15,000
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 1 April 2021	960,000,000	9,600
Issued in consideration for the acquisition of the 23.4% issued share capital of an associate (<i>note</i>)	192,000,000	1,920
At 30 September 2022	1,152,000,000	11,520

Note: On 22 July 2021, the Company issued 192,000,000 new ordinary shares for the acquisition of 23.4% issued share capital of an associate (Note 13). The closing share price of the Company's shares at the date of issue is HK\$0.128 per share.

13. INTEREST IN AN ASSOCIATE

	At 30 September 2022 HK\$'000 (Unaudited)
Unlisted investment at cost	24,576
Less:	
Impairment loss and fair value change on financial assets at fair value through profit or loss ("FVTPL")	(4,783)
Share of post-acquisition results	(2,506)
	17,287

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

13. INTEREST IN AN ASSOCIATE (CONTINUED)

Note: On 9 July 2021, the Company and its subsidiary, WAC (Hong Kong) Limited (the “Purchaser”), and Alpha Generator Limited (the “Vendor”) entered into sale and purchase agreement, pursuant to which the Purchaser has conditionally purchase, and the Vendor conditionally agreed to sell 23.4% of the issued share capital of OPS Holdings Limited. The consideration was satisfied by the allotment and issue of 192,000,000 new shares to the Vendor at the date of completion (the “Consideration shares”). The Consideration shares were issued under the general mandate. Having satisfied all the terms and conditions of the agreements, the acquisition was completed on 22 July 2021. Please refer to the announcements of the Company dated 9 July 2021, 16 July 2021 and 22 July 2021 for the detail contents and principal terms of the acquisition transaction. For the period ended 30 September 2022, the share of loss of OPS Holdings Limited of approximately HK\$733,000 was recognised in the profit or loss.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

During the six months ended 30 September 2022, the Group recorded an increase in revenue of HK\$9.0 million or approximately 24.6% to approximately HK\$45.5 million, from approximately HK\$36.5 million for the preceding financial period. The increase was due to the net effect of (i) increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and refurbishment/maintenance of existing properties for the six months ended 30 September 2022.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group increased from approximately HK\$36.5 million for the six months ended 30 September 2021 to approximately HK\$45.5 million for the six months ended 30 September 2022, representing an increase of approximately 24.6%. The increase was due to the net effect of (i) increase in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties and refurbishment/maintenance of existing properties.

Cost of Services

The cost of services increased from approximately HK\$25.5 million for the six months ended 30 September 2021 to approximately HK\$29.4 million for the six months ended 30 September 2022, representing an increase of approximately 15.4%. Such increase during the period ended 30 September 2022 was mainly attributable to the net effect of (i) increase in the sub-consulting charges incurred for the projects that required sub-consulting services undertaken by the Group; and (ii) increase in staff costs and benefits related to structural and geotechnical engineering consultancy services included in cost of services.

Gross Profit

Gross profit of the Group increased by approximately HK\$5.1 million from approximately HK\$11.0 million for the six months ended 30 September 2021 to approximately HK\$16.1 million for the six months ended 30 September 2022. The net increase was mainly due to the increase in revenue and gross profit margin. The overall gross profit margin increased from approximately 30.3% for the six months ended 30 September 2021 to approximately 35.4% for the six months ended 30 September 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income of the Group for the six months ended 30 September 2022 and 2021 were approximately HK\$2.4 million and HK\$0.7 million respectively, representing an increase of approximately 2.4 times. The increase was mainly attributable to the government subsidies received from the Government of Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR") under the Employment Support Scheme.

Other Losses, net

The other loss of the Group for the six months ended 30 September 2022 and 2021 were approximately HK\$3.0 million and HK\$3.1 million respectively, representing a slight decrease of approximately 5.1%, which was due to the expected credit loss provision difference.

General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$2.6 million or 28.8% from approximately HK\$9.0 million for the six months ended 30 September 2021 to approximately HK\$11.6 million for the six months ended 30 September 2022. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, accrued staff bonus, staff training and welfare, depreciation, and legal and professional fees. Such increase was mainly attributable to the (i) increase in legal and professional fees; (ii) increase in staff costs, staff welfare and benefits for the six months ended 30 September 2022; and (iii) increase in various expenses due to increase scale of operations.

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 2022 and 2021 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

Income tax expenses of the Group increased by approximately HK\$0.4 million or 1.2 times from approximately HK\$0.4 million for the six months ended 30 September 2021 to approximately HK\$0.8 million for the six months ended 30 September 2022. Such increase was in line with the increase in estimated assessable profits of a major operating subsidiary of the Company.

Profit/(loss) for the Period

The Group recorded a profit of HK\$2.3 million for the six months period ended 30 September 2022 compared with a loss of HK\$1.0 million for the six months period ended 30 September 2021. The profit was attributable to the (i) increase in revenue and gross profit margin as mentioned above; (ii) government subsidies received from HKSAR Government under the Employment Support Scheme.

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 slightly decreased from approximately 3.4 times as at 31 March 2022 to approximately 3.3 times as at 30 September 2022. The increase was mainly due to the increase in contract liabilities and income tax payable as at 30 September 2022.

As at 30 September 2022 and 31 March 2022, the Group had no borrowings. The gearing ratio as at 30 September 2022, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the current period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 17 September 2018. There has been no change in the capital structure of the Company since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this report, the Company's authorised share capital was HK\$15,000,000 divided into 1,500,000,000 shares at par value of HK\$0.01 each and the number of its ordinary shares in issue was 1,152,000,000 (after issue of consideration shares of 192,000,000 new shares under general mandate on 22 July 2021).

CAPITAL COMMITMENTS

As at 30 September 2022, the Group did not have any capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2022, save for the business plans set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2022 and up to the date of issuance of interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. In addition, the Group bank balances are mainly denominated in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

CHARGE OF GROUP'S ASSETS

The Group did not have any pledged assets as at 30 September 2022 (31 March 2022: nil).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, 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 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed a total of 148 employees (30 September 2021: 135 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$29.3 million for the six months ended 30 September 2022 (30 September 2021: approximately HK\$26.1 million). Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. The remuneration packages mainly comprise basic salaries, medical coverage, overtime allowance, travelling allowance and discretionary bonuses based on individual performance, which are offered to employees as recognition of and reward for their contribution.



MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress as at 30 September 2022:

Business objective and strategy	Principal business plan and activity as stated in the Prospectus	Actual business progress up to 30 September 2022
Support and expand our structural and geotechnical engineering team	<ul style="list-style-type: none">• Retain the new staff employed• Maintenance of computers and software for additional staff	<ul style="list-style-type: none">• The Group has recruited twenty-three new junior to senior level engineering staff and draftsman trainees to handle new projects in the area of structural engineering. Taking into account of the new recruits in 2018, 2019, 2020, 2021 and 2022, the Group has incurred staff costs of approximately HK\$11.0 million as at 30 June 2022 after the listing of the Company's shares on GEM of the Stock Exchange on 17 September 2018 (the "Listing").• As at 30 September 2022, the Group has purchased new computers and software for new staff in the amount of approximately HK\$0.8 million.
Grow and develop our civil engineering team	<ul style="list-style-type: none">• Retain the new staff employed	<ul style="list-style-type: none">• The Group has recruited twenty new junior to senior level engineering staff to handle new projects in the area of civil engineering. Taking into account the new recruits in 2018, 2019, 2020, 2021 and 2022, the Group has incurred staff costs of approximately HK\$7.0 million as at 30 September 2022 after the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objective and strategy	Principal business plan and activity as stated in the Prospectus	Actual business progress up to 30 September 2022
Expand our office infrastructure and building information modelling (the "BIM") upgrade	<ul style="list-style-type: none"> • Retain the new staff employed • Upgrade computers and software for existing staff • Minor renovation for office upgrade 	<ul style="list-style-type: none"> • The Group has recruited one BIM experienced engineer and upgraded computer equipment and server infrastructure. The Group has incurred both staff cost and computer and server infrastructure cost of approximately HK\$0.8 million as at 30 September 2022 after Listing. • As at 30 September 2022, the Group has purchased two sets of BIM software licenses and computer equipment amounting to approximately HK\$194,000. • As at 30 September 2022, the Group has paid approximately HK\$45,000 to sponsor its engineering staff to attend BIM training courses held by third parties. • The Group postponed the plan to rent additional office space due to the current outbreak of COVID-19 in Hong Kong.
Support and expand our material engineering and building repairs area of service	<ul style="list-style-type: none"> • Retain the new staff employed 	<ul style="list-style-type: none"> • The Group has recruited one new junior engineering staff to handle new projects in the area of material engineering. The Group has incurred staff costs of approximately HK\$0.1 million as at 30 September 2022 after the Listing.
Acquisition of or investment in companies in construction and property development industry	<ul style="list-style-type: none"> • Explore business opportunities for acquisition or investment 	<ul style="list-style-type: none"> • The Group has acquired a company of approximately HK\$0.1 million as at 30 September 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The shares of the Company were successfully listed on GEM of the Stock Exchange on 17 September 2018. The net proceeds received by the Company from the issue of 288,000,000 ordinary shares by way of share offer at a price of HK\$0.20 per share on 17 September 2018 was approximately HK\$26.9 million (after deduction of listing expenses). Up to 30 September 2022, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus and the announcement of the Company dated 31 December 2021 in relation to the change in use of proceeds as follows:

Business strategies	Revised allocation of the total net proceeds designated in the announcement dated 31 December 2021	Actual usage of net proceeds up to 30 September 2022	Unutilised net proceeds as at 30 September 2022	Expected timeline for utilising the unutilised net proceeds
	HK\$' million	HK\$' million	HK\$' million	
Support and expand our structural and geotechnical engineering team	11.8	11.8	–	Not applicable
Grow and develop our civil engineering team	7.9	7.0	0.9	On or before 31 March 2023
Expand our office infrastructure and BIM upgrade	1.3	1.3	–	Not applicable
Support and expand our material engineering and building repairs area of service	0.1	0.1	–	Not applicable
General working capital	1.2	1.2	–	Not applicable
Acquisition of or investment in companies in construction and property development industry	4.6	0.1	4.5	On or before 31 March 2023
	26.9	21.5	5.4	

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

OTHER INFORMATION

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 2022, 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	342,072,000 ordinary shares	29.69%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	Interest in controlled corporation	342,072,000 ordinary shares	29.69%

OTHER INFORMATION

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 342,072,000 shares of the Company, representing approximately 29.69% 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. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 342,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 1,152,000,000 shares as at 30 September 2022.

(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 342,072,000 shares of the Company, representing approximately 29.69% of the total share capital of the Company.

Save as disclosed above, as at 30 September 2022, 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.

OTHER INFORMATION

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

As at 30 September 2022, 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 held	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	342,072,000 ordinary shares	Long	29.69%
Ms. Julia Gower Chan ^(Note 2)	Interest of spouse	342,072,000 ordinary shares	Long	29.69%
Ms. Leung Kwai Ping ^(Note 3)	Interest of spouse	342,072,000 ordinary shares	Long	29.69%
Mr. Wong Man Hin, Max	Beneficial owner	121,458,000 ordinary shares	Long	10.54%

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 342,072,000 shares of the Company, representing approximately 29.69% 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. Accordingly, Dr. Chan and Mr. Kwong are deemed to be interested in the 342,072,000 Shares held by Manning Properties Limited.
- (2) Ms. Julia Gower Chan is the spouse of Dr. Chan. By virtue of the SFO, Ms. Julia Gower Chan is deemed to be interested in the shares of the Company interested by Dr. Chan.
- (3) Ms. Leung Kwai Ping is the spouse of Mr. Kwong. By virtue of the SFO, Ms. Leung Kwai Ping is deemed to be interested in the shares of the Company interested by Mr. Kwong.
- (4) Based on the number of issued share of 1,152,000,000 shares as at 30 September 2022.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, 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 2022.

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 2022.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2022 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules with an exception of deviation from code provision A.1.8 as explained below:

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

OTHER INFORMATION

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 2022.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022.

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 2022 and there were no share options outstanding as at 30 September 2022.



OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 27 August 2018 with its written terms of reference in compliance with the GEM Listing Rules and in accordance with the provisions set out in the CG Code which is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and accounts, interim report and quarterly reports before submission to the Board. The Audit Committee currently consists of three members, namely Mr. Choy Wai Shek, Raymond, Mr. Sze Kyran and Ms. Siu Yuk Ming, all being independent non-executive Directors. Ms. Siu Yuk Ming currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed and approved the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022.

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

Hong Kong, 14 November 2022

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