

# WAC Holdings Limited

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

## 2018 Third Quarterly Report



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

*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.wcce.hk](http://www.wcce.hk).*

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The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2018 together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

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

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018	2017	2018	2017
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	17,124	16,494	49,563	52,214
Cost of services		(10,111)	(9,717)	(30,077)	(28,873)
<b>Gross profit</b>		<b>7,013</b>	<b>6,777</b>	<b>19,486</b>	<b>23,341</b>
Other income		50	121	418	250
Other gains/(losses), net		39	(905)	241	(950)
Listing expenses		—	(5,973)	(5,427)	(10,236)
General and administrative expenses		(4,490)	(3,737)	(12,622)	(9,908)
Finance costs		(16)	(87)	(147)	(224)
<b>Profit/(Loss) before taxation</b>	4	<b>2,596</b>	<b>(3,804)</b>	<b>1,949</b>	<b>2,273</b>
Income tax expenses	5	(343)	(6)	(1,035)	(1,998)
<b>Profit/(Loss) for the period</b>		<b>2,253</b>	<b>(3,810)</b>	<b>914</b>	<b>275</b>
<b>Other comprehensive (expenses)/ income</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		(15)	(39)	120	(78)
<b>Other comprehensive (expenses)/ income for the period, net of tax</b>		<b>(15)</b>	<b>(39)</b>	<b>120</b>	<b>(78)</b>
<b>Total comprehensive income/ (expenses) for the period attributable to owners of the Company</b>		<b>2,238</b>	<b>(3,849)</b>	<b>1,034</b>	<b>197</b>
<b>Earnings/(Loss) per share</b>					
— Basic and diluted (HK cents)	7	0.23	(0.57)	0.12	0.05

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company						
	Share Capital	Share premium	Merger reserves	Legal reserves	Translation reserves	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017 (Audited)	647	—	—	49	230	10,057	10,983
Profit for the period	—	—	—	—	—	275	275
Other comprehensive expense	—	—	—	—	(78)	—	(78)
Total comprehensive (expense)/income	—	—	—	—	(78)	275	197
Issue of shares Arising from the Reorganisation	10 (647)	14,997 —	— 647	— —	— —	— —	15,007 —
At 31 December 2017 (Unaudited)	10	14,997	647	49	152	10,332	26,187
At 1 April 2018 (Audited)	10	14,997	647	49	76	12,146	27,925
Profit for the period	—	—	—	—	—	914	914
Other comprehensive income	—	—	—	—	120	—	120
Total comprehensive income	—	—	—	—	120	914	1,034
Shares issued pursuant to the Capitalisation Issue	6,710	(6,710)	—	—	—	—	—
Shares issued pursuant to the Share Offer	2,880	54,720	—	—	—	—	57,600
Share issue expenses	—	(14,247)	—	—	—	—	(14,247)
At 31 December 2018 (Unaudited)	9,600	48,760	647	49	196	13,060	72,312

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

## 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 were listed on GEM of the Stock Exchange since 17 September 2018. The Group is principally engaged in the provision of comprehensive structural and geotechnical engineering consultancy services.

The unaudited condensed consolidated financial information of the Company is presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company.

## 2. BASIS OF PREPARATION AND REORGANISATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries now comprising the Group completed on 20 November 2017 to rationalise the Group’s structure in preparation of the listing of the shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 31 August 2018 (the “Prospectus”).

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 2018. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 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 2018 and the audited consolidated financial statements of the Group for the year ended 31 March 2018 shown in the Accountants’ Report set out in Appendix I to the Prospectus.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have been prepared under the historical cost convention.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

## 2. BASIS OF PREPARATION AND REORGANISATION (CONTINUED)

The preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 is in conformity with the HKFRSs requirements 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 unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

## 3. 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.

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of comprehensive structural and geotechnical engineering consultancy services	17,124	16,494	49,563	52,214

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

### (b) Segment information

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 ("CODM") (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.

Almost all of the Group's external revenue for the nine months ended 31 December 2018 is derived from services rendered in Hong Kong, the place of domicile of the Group's principal operating entities.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

## 4. PROFIT/(LOSS) BEFORE TAXATION

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(a) Staff costs</b>				
Directors' remuneration	1,312	1,152	3,631	3,463
Salaries, wages and other benefits	9,392	9,139	27,713	26,512
Contributions to defined contribution retirement plan, excluding those of Directors	343	329	955	949
<b>Total staff costs</b>	<b>11,047</b>	<b>10,620</b>	<b>32,299</b>	<b>30,924</b>
Less: Amount included in general and administrative expenses	(1,615)	(1,371)	(4,582)	(3,441)
<b>Total staff costs included in cost of services</b>	<b>9,432</b>	<b>9,249</b>	<b>27,717</b>	<b>27,483</b>
<b>(b) Other items</b>				
Auditor's remuneration (including remuneration for non-audit services)	128	125	284	375
Exchange (gains)/losses, net	(2)	59	171	104
Depreciation of property, plant and equipment	66	57	195	174
(Reversal)/allowance of trade receivables, net	(37)	846	(412)	846
Written off of bad debts	373	—	373	—
Operating lease charges for office premises	692	680	2,081	2,011



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

## 5. INCOME TAX EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Current tax:</b>				
Hong Kong Profits Tax	305	57	900	1,964
PRC Enterprise Income Tax	44	4	44	4
Macau Complementary Tax	(10)	(56)	126	35
	<b>339</b>	<b>5</b>	<b>1,070</b>	<b>2,003</b>
<b>Overprovision in prior periods:</b>				
Hong Kong Profits Tax	(30)	—	(30)	—
Macau Complementary Tax	—	—	(45)	—
	<b>(30)</b>	<b>—</b>	<b>(75)</b>	<b>—</b>
<b>Deferred taxation:</b>				
Origination and reversal of temporary differences	34	1	40	(5)
	<b>343</b>	<b>6</b>	<b>1,035</b>	<b>1,998</b>

### (a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profits for both periods.

### (b) PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the Enterprise Income Tax is calculated at the rate of 25% for both periods.

### (c) Macau Complementary Tax

Macau Complementary Tax is calculated at the rate of 12% on the estimated assessable profits for both periods.

### (d) Cayman Islands and BVI Income Tax

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

## 6. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: Nil).

## 7. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Earnings/(Loss):</b>				
Profit/(Loss) for the period attributable to owners of the Company	2,253	(3,810)	914	275
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	960,000,000	672,000,000	783,010,909	562,402,909
Basic earnings/(loss) per share (HK cents)	0.23	(0.57)	0.12	0.05

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. The number of shares for the purpose of basic earnings/(loss) per share has been retrospectively adjusted for the 671,000,000 shares which were issued pursuant to the Capitalisation Issue (as defined in the Prospectus). In addition, the number of shares for the three months and nine months ended 31 December 2017 is calculated on the basis that the shares issued to Manning Properties have been issued since 1 April 2017.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

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

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

During the nine months ended 31 December 2018, 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 Directors consider that the expediting and increasing supply of land for residential development is one of the key industrial drivers of the construction engineering consultancy in Hong Kong as well as factors affecting the labour costs and private office rental expenses. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the construction engineering consultancy industry. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share by securing more consultancy engineering service contracts by utilising the net proceeds from the Share Offer (as defined in the Prospectus) to implement our business plans as set out in the Prospectus.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The revenue of the Group decreased from approximately HK\$52.2 million for the nine months ended 31 December 2017 to approximately HK\$49.6 million for the nine months ended 31 December 2018, representing a decrease of approximately 5.1%. Such decrease was mainly due to the decrease in average revenue contributed per project for the nine months ended 31 December 2018 than the corresponding period in 2017.

### Cost of Services

The cost of services increased from approximately HK\$28.9 million for the nine months ended 31 December 2017 to approximately HK\$30.1 million for the nine months ended 31 December 2018, representing an increase of approximately 4.2%. Such increase was mainly attributable to the increase in the subconsulting charges incurred for the projects that required subcontracting services undertaken by the Group during the nine months ended 31 December 2018.

### Gross Profit

Gross profit of the Group decreased by approximately HK\$3.9 million from approximately HK\$23.3 million for the nine months ended 31 December 2017 to approximately HK\$19.5 million for the nine months ended 31 December 2018. The decrease was mainly caused by the decrease in revenue and increase in subconsulting charges for the nine months ended 31 December 2018 as discussed above, with staff costs for professional staff handling our projects remained relatively stable for both periods, accounting for approximately 92.2% and 95.2% of the cost of services for the nine months ended 31 December 2018 and 2017 respectively. The overall gross profit margin decreased from approximately 44.7% for the nine months ended 31 December 2017 to approximately 39.3% for the nine months ended 31 December 2018 as the revenue contributed by projects with high gross margin was lower for the nine months ended 31 December 2018 than the corresponding period in 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## General and Administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$2.7 million or 27.4% from approximately HK\$9.9 million for the nine months ended 31 December 2017 to approximately HK\$12.6 million for the nine months ended 31 December 2018. General and administrative expenses primarily consisted of staff costs for accounting and administrative staff, staff training and welfare, depreciation, legal and professional fees, and rent and rates. Such increase was mainly attributable to the (i) annual salary increment and increase in staff overtime working hours expenses; (ii) employment of a finance manager and a financial controller in October 2017 and June 2017 respectively; and (iii) increase in legal and professional expenses after Listing (as defined below).

## Listing Expenses

During the nine months ended 31 December 2018 and 2017, the Group recognised non-recurring listing expenses in connection with the listing of the shares of the Company on GEM of the Stock Exchange on 17 September 2018 (the “Listing”) of approximately HK\$5.4 million and HK\$10.2 million respectively, representing a decrease of approximately HK\$4.8 million.

## Income Tax Expenses

Income tax expenses for the Group decreased by approximately HK\$1.0 million or 48.2% from approximately HK\$2.0 million for the nine months ended 31 December 2017 to approximately HK\$1.0 million for the nine months ended 31 December 2018 and such decrease was consistent with the decrease in estimated profits assessable under Hong Kong Profits Tax.

## Profit/(Loss) for the Period

Profit/(loss) for the period increased by approximately HK\$0.6 million or 232.4% from HK\$0.3 million for the nine months ended 31 December 2017 to HK\$0.9 million for the nine months ended 31 December 2018. Such increase was primarily attributable to the combined effect of the decrease in gross profit and listing expenses and the increase in general and administrative expenses as discussed above.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

The Group has met its liquidity requirements principally through net cash flows generated from our operations and bank borrowings. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities. 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 increased from approximately 2.4 times as at 31 March 2018 to 13.7 times as at 31 December 2018. The increase was mainly due to (i) the increase in bank balances and cash mainly arising from the Share Offer; and (ii) the decrease in bank borrowings of approximately 97.1% as at 31 December 2018.

As at 31 December 2018, the Group had total borrowings of approximately HK\$0.3 million (31 March 2018: approximately HK\$8.9 million). The gearing ratio, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, decreased from approximately 33.2% as at 31 March 2018 to approximately 0.4% as at 31 December 2018 mainly due to the funds raised in the Share Offer and the Group's continuous effort to manage its financial leverage. Total debts include amounts due to controlling shareholders and interest-bearing debts. 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 balances and cash and bank credit facilities.

The maturity profiles of the Group's borrowings as at of 31 December 2018 and 31 March 2018 were as follows:

	31 December 2018 HK\$'000	31 March 2018 HK\$'000
Repayable within one year	255	5,570
Repayable more than one year, but not more than two years	—	3,305
	255	8,875

# MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 December 2018, the bank borrowings of the Group carried interest at the rate between 2.5% and 5.1% per annum. As at 31 December 2018, the Group's borrowings with fixed interest rates accounted for 100% to total borrowings.

As at 31 December 2018 and 31 March 2018, term loans of approximately HK\$0.3 million and HK\$5.9 million respectively were secured by the guarantee given by Hong Kong Mortgage Corporation Limited and personal guarantees by Dr. Chan and Mr. Kwong.

## 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 Group since then. The share capital of the Company only comprises of ordinary shares.

As at the date of this report, the Company's authorised share capital was HK\$15,000,000 divided into 1,500,000,000 shares at par value of HK\$0.01 each and the number of its issued ordinary shares was 960,000,000.

## COMMITMENTS

The operating lease commitments of the Group as at 31 December 2018 were primarily related to the leases of its office premise. The Group's operating lease commitments as at 31 December 2018 amounted to approximately HK\$5.4 million (31 March 2018: approximately HK\$6.6 million).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2018, save for the business plans as set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 December 2018.

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

## CHARGE ON GROUP'S ASSETS

As at 31 December 2018, a bank deposit of HK\$2 million was pledged to a bank to secure general bank facilities granted to a subsidiary of the Company (31 March 2018: Nil).

## EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the nine months ended 31 December 2018.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 130 employees (31 March 2018: 132 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$32.3 million for the nine months ended 31 December 2018 (31 December 2017: approximately HK\$30.9 million). Remuneration is determined with reference to market trends and the performance, qualification and experience of individual employee. The remuneration packages comprise monthly fixed salaries and discretionary bonuses based on individual performance, which are paid 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 31 December 2018, we utilised the net proceeds in accordance with the designated uses set out in the Prospectus as follows:

Business strategies	Amount designated in the Prospectus HK\$' million	Amount utilised up to 31 December 2018 HK\$' million	Unutilised balance as at 31 December 2018 HK\$' million
Support and expand our structural and geotechnical engineering team	7.9	0.3	7.6
Grow and develop our civil engineering team	7.9	0.3	7.6
Expand our office infrastructure and BIM upgrade	5.2	—*	5.2
Support and expand our material engineering and building repairs area of service	4.7	—	4.7
General working capital	1.2	1.2	—
	26.9	1.8	25.1

Note:\* Less than HK\$0.1 million

# 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 31 December 2018, 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 Director	Capacity/Nature of interest	Number and class of shares	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(Note 2)</sup>
Dr. Chan Yin Nin ("Dr. Chan") <sup>(Note 1)</sup>	Interest in a controlled corporation	471,072,000 ordinary shares	49.07%
Mr. Kwong Po Lam ("Mr. Kwong") <sup>(Note 1)</sup>	Interest in a controlled corporation	471,072,000 ordinary shares	49.07%

# 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 49.07% 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 471,072,000 shares held by Manning Properties Limited.
- (2) Based on the number of issued share of 960,000,000 shares as at 31 December 2018.

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

Name of Director	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 471,072,000 shares of the Company, representing approximately 49.07% of the total share capital of the Company.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2018, 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 <i>(Note 5)</i>
Manning Properties Limited <i>(Note 1)</i>	Beneficial owner	471,072,000 ordinary shares	Long	49.07%
Ms. Julia Gower Chan <i>(Note 2)</i>	Interest of spouse	471,072,000 ordinary shares	Long	49.07%
Ms. Leung Kwai Ping <i>(Note 3)</i>	Interest of spouse	471,072,000 ordinary shares	Long	49.07%
Galaxy Sourcing Limited <i>(Note 4)</i>	Beneficial owner	200,928,000 ordinary shares	Long	20.93%
Dr. Yuen Fung Ting <i>(Note 4)</i>	Interest in a controlled corporation	200,928,000 ordinary shares	Long	20.93%

# 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 49.07% 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 471,072,000 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) Galaxy Sourcing Limited is wholly owned by Dr. Yuen Fung Ting and therefore Dr. Yuen Fung Ting is deemed to be interested in the 200,928,000 shares held by Galaxy Sourcing Limited pursuant to the SFO.
- (5) Based on the number of issued share of 960,000,000 shares as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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 nine months ended 31 December 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Ample Capital Limited (“Ample Capital”), as at 31 December 2018, save for the compliance adviser agreement dated 16 November 2017 entered into between the Company and Ample Capital, neither Ample Capital nor its directors, employees and close associates had any interests in relation to the Group which is required to be notified to the Group 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 nine months ended 31 December 2018.

## CORPORATE GOVERNANCE CODE

During the nine months ended 31 December 2018 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 the code provision A.1.8 as explained below:

Under the 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.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Group 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 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the nine months ended 31 December 2018.

## DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 27 August 2018 (the “Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted during the nine months ended 31 December 2018 and there were no share options outstanding as at 31 December 2018.

## 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 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 nine months ended 31 December 2018.

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

Hong Kong, 12 February 2019

*As at the date of this report, the executive Directors are Dr. Chan Yin Nin and Mr. Kwong Po Lam, and the independent non-executive Directors are Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond, MH, JP and Mr. Sze Kyran, MH.*