



WAC Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8619

INTERIM REPORT

2019

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 Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.wcce.hk.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Chan Yin Nin (*Chairman*)
Mr. Kwong Po Lam (*Managing Director*)
Ms. Su Xiaoyan (*appointed on 6 June 2019*)

Independent Non-Executive Directors

Ms. Chu Moune Tsi, Stella
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Sze Kyran, *MH*

COMPANY SECRETARY

Mr. Chan Kwok Wai

COMPLIANCE OFFICER

Dr. Chan Yin Nin

AUTHORISED REPRESENTATIVES

Dr. Chan Yin Nin
Mr. Chan Kwok Wai

AUDIT COMMITTEE

Ms. Chu Moune Tsi, Stella (*Chairlady*)
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. Sze Kyran, *MH*

REMUNERATION COMMITTEE

Mr. Sze Kyran, *MH (Chairman)*
Ms. Chu Moune Tsi, Stella
Mr. Choy Wai Shek, Raymond, *MH, JP*
Dr. Chan Yin Nin
Mr. Kwong Po Lam

NOMINATION COMMITTEE

Mr. Choy Wai Shek, Raymond, *MH, JP*
(*Chairman*)
Ms. Chu Moune Tsi, Stella
Mr. Sze Kyran, *MH*
Dr. Chan Yin Nin
Mr. Kwong Po Lam

COMPLIANCE ADVISER

Ample Capital Limited

AUDITOR

Wellink 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

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

WEBSITE ADDRESS

www.wcce.hk

PLACE OF LISTING

GEM of the Stock Exchange

STOCK CODE

8619

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	15,211	16,683	30,561	32,439
Cost of services		(9,801)	(10,042)	(20,288)	(19,966)
Gross profit		5,410	6,641	10,273	12,473
Other income		168	288	561	368
Other gains/(losses), net		(746)	10	(961)	202
Listing expenses		—	(4,922)	—	(5,427)
General and administrative expenses		(5,273)	(4,078)	(12,221)	(8,132)
Finance costs		(37)	(57)	(77)	(131)
Loss before taxation	5	(478)	(2,118)	(2,425)	(647)
Income tax expense	6	(104)	(345)	(155)	(692)
Loss for the period		(582)	(2,463)	(2,580)	(1,339)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		54	53	73	135
Other comprehensive income for the period, net of tax		54	53	73	135
Total comprehensive expenses for the period attributable to owners of the Company		(528)	(2,410)	(2,507)	(1,204)
Loss per share					
— Basic and diluted (HK cents)	8	(0.06)	(0.34)	(0.27)	(0.19)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	5,196	725
Deposits paid		782	782
Deferred tax assets		93	92
		6,071	1,599
Current assets			
Trade and other receivables	10	23,672	19,994
Contract assets		12,955	13,146
Income tax recoverable		769	926
Bank balances and cash		36,578	42,219
		73,974	76,285
Current liabilities			
Trade and other payables	11	2,756	3,367
Contract liabilities		4,108	3,294
Lease liabilities		2,908	—
Income tax payable		270	275
		10,042	6,936
Net current assets		63,932	69,349
Total assets less current liabilities		70,003	70,948
Non-current liabilities			
Lease liabilities		1,727	—
Net assets		68,276	70,948
Capital and reserves			
Share capital	12	9,600	9,600
Reserves		58,676	61,348
Equity attributable to owners of the Company		68,276	70,948

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 2018 (Audited)	10	14,997	647	49	76	12,146	27,925
Loss for the period	—	—	—	—	—	(1,339)	(1,339)
Other comprehensive income	—	—	—	—	135	—	135
Total comprehensive income/(expense)	—	—	—	—	135	(1,339)	(1,204)
Shares issued pursuant to the Capitalisation Issue (Note 12 (ii))	6,710	(6,710)	—	—	—	—	—
Shares issued pursuant to the Share Offer (Note 12 (iii))	2,880	54,720	—	—	—	—	57,600
Share issue expenses	—	(14,247)	—	—	—	—	(14,247)
At 30 September 2018 (Unaudited)	9,600	48,760	647	49	211	10,807	70,074
At 1 April 2019 (Audited)	9,600	48,760	647	49	165	11,727	70,948
Impact on initial application of HKFRS 16	—	—	—	—	—	(165)	(165)
Restated opening balance after application of HKFRS 16	9,600	48,760	647	49	165	11,562	70,783
Loss for the period	—	—	—	—	—	(2,580)	(2,580)
Other comprehensive income	—	—	—	—	73	—	73
Total comprehensive income/(expense)	—	—	—	—	73	(2,580)	(2,507)
At 30 September 2019 (Unaudited)	9,600	48,760	647	49	238	8,982	68,276

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(4,498)	5,424
Net cash generated from/(used in) investing activities	44	(105)
Net cash (used in)/generated from financing activities	(1,253)	42,927
Net (decrease)/increase in cash and cash equivalents	(5,707)	48,246
Cash and cash equivalents at beginning of the period	42,219	6,633
Effect of foreign exchange rate changes	66	59
Cash and cash equivalents at end of the period	36,578	54,938

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 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 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\$”), 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 2019 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.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2019. 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 six months ended 30 September 2019 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 2019 (“2019 Financial Statements”) shown in the 2019 annual report of the Company except for those new and revised HKFRSs and interpretations issued by the HKICPA that are adopted for the first time in the financial statements for the six months ended 30 September 2019.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared under the historical cost convention.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 should be read in conjunction with the 2019 Financial Statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the 2019 Financial Statements, other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standard relevant to the preparation of the Group's unaudited condensed consolidated financial statements. The nature and impact of the new and revised HKFRS are described below:

3.1 Impacts and changes in accounting policies of application of HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, 1 April 2019, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures
(Continued)

3.1 *Impacts and changes in accounting policies of application of HKFRS 16 Leases (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

Definition of a lease (Continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "Property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned on the condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures
(Continued)

3.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

Definition of a lease (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures
(Continued)

3.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

Definition of a lease (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures (Continued)

3.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)*

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- ii. applied the exemption not to recognise right-of-use assets for the lease term ends within 12 months of the date of initial application.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liabilities and right-of-use assets for leases previously classified as operating leases applying HKAS 17. The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate of relevant group entities at the date of initial application. The weighted average Group's incremental borrowing rate applied is 3.86%. The Group measured the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the incremental borrowing rate of relevant group entities at the date of initial application.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	4,688
Less:	
Lease liabilities discounted at relevant incremental borrowing rates	(150)
Short-term leases accounted for as expense using the straight-line basis	(66)
Lease liabilities as at 1 April 2019	4,472

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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

Basis of Preparation and Change in Accounting Policies and Disclosures
(Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts after application of HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	725	4,307	5,032
Current liabilities			
Lease liabilities	—	2,554	2,554
Non-current liabilities			
Lease liabilities	—	1,918	1,918
Reserves			
Retained earnings	11,727	(165)	11,562

Note: For the purpose of reporting cash flows under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are provision of comprehensive structural and geotechnical engineering consultancy services mainly in Hong Kong.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by services lines is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Disaggregated by major services lines				
– Construction of new properties	8,197	11,239	16,748	22,636
– Refurbishment/maintenance of existing properties	5,457	4,506	10,994	7,981
– Others	1,557	938	2,819	1,822
	15,211	16,683	30,561	32,439

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

(b) Segment reporting

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. Accordingly, the operation of the Group constitutes only one single operating segment. Other than entity-wide information, no further analysis of this single segment is presented.

Geographical information

Almost all of the Group’s external revenue for the six months ended 30 September 2019 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 2019

5. LOSS BEFORE TAXATION

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

	Three months ended		Six months ended	
	30 September 2019	2018	30 September 2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Staff costs				
Directors' remuneration	1,390	1,166	3,815	2,319
Salaries, wages and other benefits	9,147	9,111	19,123	18,321
Contributions to defined contribution retirement plan, excluding those of Directors	234	303	660	612
Total staff costs	10,771	10,580	23,598	21,252
Less: Amount included in general and administrative expenses	(1,545)	(1,430)	(5,139)	(2,967)
Total staff costs included in cost of services	9,226	9,150	18,459	18,285
(b) Finance costs				
Interest expenses on bank borrowings	—	57	—	131
Interest expenses on lease liabilities	37	—	77	—
Total finance costs	37	57	77	131
(c) Other items				
Auditor's remuneration (including remuneration for non-audit services)	240	31	365	156
Exchange losses, net	41	67	86	173
Depreciation of property, plant and equipment	92	67	186	129
Depreciation of right-of-use assets	676	—	1,280	—
Impairment losses on trade receivables and contract assets, net of reversal of impairment losses	706	(77)	875	(375)
Operating lease charges for office premises	—	692	—	1,389

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong Profits Tax	95	281	156	595
Macau Complementary Tax	—	98	—	136
	95	379	156	731
Overprovision in prior periods:				
Macau Complementary Tax	—	(45)	—	(45)
Deferred taxation:				
Origination and reversal of temporary differences	9	11	(1)	6
	104	345	155	692

(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 2019 (for the six months ended 30 September 2018: flat rate of 16.5%). 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 2019 and 2018.

(c) Macau Complementary Tax

No provision of Macau Complementary Tax has been made for the six months ended 30 September 2019. Macau Complementary Tax is calculated at the rate of 12% on the estimated assessable profits for the six months ended 30 September 2018.

(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 2019

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil).

8. LOSS PER SHARE

The calculation of basic and diluted 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company	(582)	(2,463)	(2,580)	(1,339)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic loss per share	960,000,000	715,826,087	960,000,000	694,032,787
Basic loss per share (HK cents)	(0.06)	(0.34)	(0.27)	(0.19)

The calculation of basic loss per share is based on the 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 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 six months ended 30 September 2018 is calculated on the basis that the shares issued to Manning Properties have been issued since 1 April 2017.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$218,000 (30 September 2018: HK\$99,000).

During the six months ended 30 September 2019, the Group recognised right-of-use assets of approximately HK\$5,759,000 in relation to the application of HKFRS 16.

10. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Trade receivables	25,736	19,542
Less: Allowance for trade receivables	(3,723)	(2,917)
Trade receivables, net of loss allowance	22,013	16,625
Deposits, prepayments and other receivables	1,659	3,369
	23,672	19,994

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

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Within 30 days	7,866	4,742
Over 30 days and within 90 days	5,960	8,771
Over 90 days and within 180 days	4,233	1,882
Over 180 days	3,954	1,230
	22,013	16,625

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

11. TRADE AND OTHER PAYABLES

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Trade payables	421	639
Accrued expenses and other payables	2,335	2,728
	2,756	3,367

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

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Within 30 days	264	446
Over 30 days and within 60 days	22	60
Over 60 days and within 90 days	—	50
Over 90 days	135	83
	421	639

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

12. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
1 April 2018	38,000,000	380
Increase in authorised share capital on 27 August 2018 (Note i)	1,462,000,000	14,620
<hr/>		
At 30 September 2018, 31 March 2019 and 30 September 2019	1,500,000,000	15,000
<hr/>		
Issued and fully paid:		
At 1 April 2018	1,000,000	10
Issue of shares under the Capitalisation Issue (Note ii)	671,000,000	6,710
Issue of shares under the Share Offer (Note iii)	288,000,000	2,880
<hr/>		
At 30 September 2018, 31 March 2019 and 30 September 2019	960,000,000	9,600

Notes:

- (i) On 27 August 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$15,000,000 by the creation of an additional 1,462,000,000 shares with a par value of HK\$0.01 each.
- (ii) On 27 August 2018, conditional on the share premium account of the Company being credited as a result of the shares issued pursuant to the Share Offer as mentioned and defined in (iii) below, a sum of HK\$6,710,000 standing to the credit of the share premium account of the Company were capitalised by way of applying such sum in paying up in full at par 671,000,000 shares in which 470,371,000 and 200,629,000 shares were allotted to Manning Properties and Galaxy Sourcing Limited respectively (the "Capitalisation Issue"). Upon completion of the Capitalisation Issue, total issued share capital of the Company became 672,000,000 shares of HK\$0.01 each.
- (iii) On 17 September 2018, 288,000,000 ordinary shares of HK\$0.01 each were issued by way of share offer at a price of HK\$0.20 per share (the "Share Offer") for a total cash consideration of HK\$57,600,000, before issuance cost. The excess of the Share Offer over the par value of the shares issued was credited to the share premium account of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

13. RELATED PARTY TRANSACTIONS

Transactions

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

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consultancy fee received from Win Win Way Construction Co., Limited ("Win Win Way"), included in revenue	418	230	617	230

Win Win Way is a subsidiary of Win Win Way Construction Holdings Ltd. Mr. Kwong was an executive director of Win Win Way Construction Holdings Ltd. for the six months ended 30 September 2018 and up to 26 April 2019. Mr. Kwong is a director of Win Win Way since 26 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

During the six months ended 30 September 2019, the Group recorded a decrease in revenue of approximately 5.8% to approximately HK\$30.6 million from approximately HK\$32.4 million for the preceding financial period. The decrease was mainly due to the decrease in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties. 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, although the global economy remains uncertain and market competition is intense, 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\$32.4 million for the six months ended 30 September 2018 to approximately HK\$30.6 million for the six months ended 30 September 2019, representing a decrease of approximately 5.8%. Such decrease was mainly due to the decrease in revenue contribution from structural and geotechnical engineering consultancy services of construction of new properties for the six months ended 30 September 2019. The market competition intensified as our competitions offered their service at lower prices.

Cost of Services

The cost of services increased from approximately HK\$20.0 million for the six months ended 30 September 2018 to approximately HK\$20.3 million for the six months ended 30 September 2019, representing an increase of approximately 1.6%. 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 six months ended 30 September 2019.

Gross Profit

Gross profit of the Group decreased by approximately HK\$2.2 million from approximately HK\$12.5 million for the six months ended 30 September 2018 to approximately HK\$10.3 million for the six months ended 30 September 2019. The decrease was mainly caused by the decrease in revenue and increase in subconsulting charges for the six months ended 30 September 2019 as discussed above, with staff costs for professional staff handling our projects remained relatively stable for both periods, accounting for approximately 91.0% and 91.6% of the cost of services for the six months ended 30 September 2019 and 2018 respectively. The overall gross profit margin decreased from approximately 38.5% for the six months ended 30 September 2018 to approximately 33.6% for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

General and administrative Expenses

General and administrative expenses of the Group increased by approximately HK\$4.1 million or 50.3% from approximately HK\$8.1 million for the six months ended 30 September 2018 to approximately HK\$12.2 million for the six months ended 30 September 2019. 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) increase in legal and professional fees after the listing of the shares of the Company on GEM of the Stock Exchange on 17 September 2018 (the “Listing”); and (ii) payment of one-off discretionary bonus for the six months ended 30 September 2019.

Listing Expenses

During the six months ended 30 September 2018, our Group recognised non-recurring listing expenses in connection with the Listing of approximately HK\$5.4 million. No such expenses were recognised during the six months ended 30 September 2019.

Finance costs

Finance costs amounted to approximately HK\$0.1 million in both periods, they represented interest expenses on lease liabilities and interest expenses on bank borrowings for the six months ended 30 September 2019 and 2018 respectively. Upon adoption of HKFRS 16 on 1 April 2019, the lease liabilities were initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liabilities were adjusted for interest and lease payments. As a result, an interest expense on lease liabilities of approximately HK\$77,000 was recognised for the six months ended 30 September 2019.

Income Tax Expense

Income tax expense of the Group decreased by approximately HK\$0.5 million or 77.6% from approximately HK\$0.7 million for the six months ended 30 September 2018 to approximately HK\$0.2 million for the six months ended 30 September 2019 and such decrease was consistent with the decrease in estimated assessable profits of a major operating subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Period

Loss for the period of the Group amounted to approximately HK\$2.6 million for the six months ended 30 September 2019 (loss for the six months ended 30 September 2018 of approximately HK\$1.3 million). The loss was primarily attributable to the (i) increase in legal and professional fees; (ii) payment of one-off discretionary bonus; and (iii) increase in provision of impairment losses on trade receivables and contract assets for the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

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

The current ratio decreased from approximately 11.0 times as at 31 March 2019 to 7.4 times as at 30 September 2019. The decrease was mainly due to the (i) decrease in bank and cash balances; and (ii) increase in contract liabilities and lease liabilities as at 30 September 2019.

As at 30 September 2019 and 31 March 2019, the Group had no borrowings. The gearing ratio as at 30 September 2019, calculated based on total debts divided by total equity at the end of the reporting period and multiplied by 100%, was 0% mainly due to the funds raised in the Share Offer and the Group's continuous effort to manage its financial leverage. The Directors consider the Group's financial position is sound and strong and the Group has sufficient liquidity to satisfy its funding requirements with available bank and cash balances, and bank credit facilities.

TREASURY POLICY

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 17 September 2018. There has been no change in the capital structure of the 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 Group's operating lease commitments amounted to approximately HK\$4.7 million as at 31 March 2019, and there was no such commitments as at 30 September 2019 upon application of HKFRS 16. The operating lease commitments of the Group as at 31 March 2019 were primarily related to the leases of its office premises and photocopiers.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2019, save for the business plans set out in the Prospectus, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 September 2019, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2019 (31 March 2019: nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF GROUP'S ASSETS

The Group did not have any pledged assets as at 30 September 2019 (31 March 2019: nil).

EVENT AFTER THE REPORTING PERIOD

As at 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 30 September 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 125 employees (30 September 2018: 129 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$23.6 million for the six months ended 30 September 2019 (30 September 2018: approximately HK\$21.3 million). Remuneration is mainly determined with reference to market trends, the Group's operating results and the performance, qualification and experience of individual employee. The remuneration packages mainly comprise basic salaries, medical coverage, overtime allowance, travelling allowance and discretionary bonuses based on individual performance, which are offered to employees as recognition of and reward for their contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The shares of the Company were successfully listed on GEM of the Stock Exchange on 17 September 2018. The net proceeds from the Share Offer received by the Company was approximately HK\$26.9 million (after deduction of listing expenses). Up to 30 September 2019, 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 30 September 2019 HK\$' million	Unutilised balance as at 30 September 2019 HK\$' million
Support and expand our structural and geotechnical engineering team	7.9	2.4	5.5
Grow and develop our civil engineering team	7.9	1.0	6.9
Expand our office infrastructure and BIM upgrade	5.2	0.2	5.0
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	4.8	22.1

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS

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

As at 30 September 2019, 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 a controlled corporation	471,072,000 ordinary shares	49.07%
Mr. Kwong Po Lam ("Mr. Kwong") ^(Note 1)	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 30 September 2019.

(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 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 30 September 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2019, 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 4)</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%
Ms. Zhang Yanhong	Beneficial owner	91,298,000 ordinary shares	Long	9.51%

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) Based on the number of issued share of 960,000,000 shares as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, 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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS OF COMPLIANCE ADVISER

As at 30 September 2019, neither Ample Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2019 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.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019.

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 2019 and there were no share options outstanding as at 30 September 2019.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 27 August 2018 with its written terms of reference in compliance with the GEM Listing Rules and in accordance with the provisions set out in the CG Code which is available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and accounts, interim report and quarterly reports before submission to the Board. The Audit Committee currently consists of three members, namely Ms. Chu Moune Tsi, Stella, Mr. Choy Wai Shek, Raymond and Mr. Sze Kyran, all being independent non-executive Directors. Ms. Chu Moune Tsi, Stella currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019.

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

Hong Kong, 13 November 2019

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