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偉俊集團控股有限公司\*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

## 2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Wai Chun Group Holdings Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Turnover</b>	4	178,104	152,469
Cost of sales		<u>(146,844)</u>	<u>(122,766)</u>
Gross profit		31,260	29,703
Other income	5	83	426
Other gains or losses		(3,009)	(423)
Selling and distribution expenses		(25,701)	(26,569)
Administrative expenses		(61,347)	(35,842)
Finance costs		<u>(2,995)</u>	<u>(1,635)</u>
<b>Loss before taxation</b>		<b>(61,709)</b>	<b>(34,340)</b>
Taxation	6	<u>(111)</u>	<u>(283)</u>
<b>Loss for the year</b>	7	<b><u>(61,820)</u></b>	<b><u>(34,623)</u></b>
<b>Loss attributable to:</b>			
– Owners of the Company		(56,747)	(29,113)
– Non-controlling interests		<u>(5,073)</u>	<u>(5,510)</u>
		<b><u>(61,820)</u></b>	<b><u>(34,623)</u></b>
<b>Loss per share</b>	8	<b>HK cents</b>	<b>HK cents</b>
– Basic		<u>(0.27)</u>	<u>(0.14)</u>
– Diluted		<u>(0.27)</u>	<u>(0.14)</u>

\* for identification purpose only

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(61,820)</u>	<u>(34,623)</u>
Other comprehensive income (expense):		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>333</u>	<u>(73)</u>
<b>Other comprehensive income (expense) for the year</b>	<u>333</u>	<u>(73)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(61,487)</u></u>	<u><u>(34,696)</u></u>
<b>Total comprehensive expense attributable to:</b>		
– Owners of the Company	(56,123)	(29,609)
– Non-controlling interests	<u>(5,364)</u>	<u>(5,087)</u>
	<u><u>(61,487)</u></u>	<u><u>(34,696)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Non-current asset</b>			
Property, plant and equipment		<u>988</u>	<u>10,672</u>
<b>Current assets</b>			
Inventories		23,967	32,876
Trade and other receivables, prepayments and deposits	9	84,407	34,123
Financial assets at fair value through profit or loss		–	1,980
Fixed deposits		300	300
Bank balances and cash		<u>35,727</u>	<u>3,329</u>
		<u>144,401</u>	<u>72,608</u>
<b>Current liabilities</b>			
Trade and other payables	10	100,244	46,704
Tax payable		109	163
Borrowing		1,563	–
Amount due to the non-controlling interests of a subsidiary		<u>31,849</u>	<u>31,989</u>
		<u>133,765</u>	<u>78,856</u>
<b>Net current assets (liabilities)</b>		<u>10,636</u>	<u>(6,248)</u>
<b>Total assets less current liabilities</b>		<u>11,624</u>	<u>4,424</u>
<b>Non-current liability</b>			
Loan from ultimate holding company		<u>49,801</u>	<u>794</u>
<b>Net (liabilities) assets</b>		<u><u>(38,177)</u></u>	<u><u>3,630</u></u>
<b>Capital and reserves</b>			
Share capital		213,912	213,912
Reserves		<u>(266,813)</u>	<u>(230,370)</u>
Capital deficiency attributable to owners of the Company		(52,901)	(16,458)
Non-controlling interests		<u>14,724</u>	<u>20,088</u>
<b>(Capital deficiency) total equity</b>		<u><u>(38,177)</u></u>	<u><u>3,630</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2016*

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors, its ultimate holding company is Wai Chun Investment Fund, which is a private limited company incorporated in the Cayman Islands and controlled by Mr. Lam Ching Kui, an executive director of the Company.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

### **Going concern**

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that the Group’s total liabilities exceeded its total assets by approximately HK\$38,177,000 and capital deficiency attributable to owners of the Company approximately HK\$52,901,000 as at 31 March 2016 and the Group incurred a loss of approximately HK\$61,820,000 for the year ended 31 March 2016.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

- (i) As at 31 March 2016, the Company has undrawn loan facilities of approximately HK\$140,000,000 granted by its ultimate holding company, Wai Chun Investment Fund, which is provided on a subordinated basis, i.e. Wai Chun Investment Fund will not demand the Company for repayment of such loans until all other liabilities of the Group had been satisfied;

- (ii) In addition to the loan facilities stated above, Wai Chun Investment Fund has also undertaken to provide adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future; and
- (iii) The directors will strengthen to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring the general administrative expenses and operating costs.

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

#### **3.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

### 3.2 New and revised HKFRSs in issue but not yet effective

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

HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

<sup>5</sup> Effective date yet to be determined

#### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review has been completed.

#### **Amendments to HKAS 1 Disclosure Initiative**

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group’s consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the consolidated financial statements.

### **3.3 New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements of the Company.

## **4. TURNOVER AND SEGMENT INFORMATION**

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies in conformity with HKFRSs, that are regularly reviewed by the executive directors of the Company, being the Chief Operating Decision Maker (the “CODM”) of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

### **Business Segment**

The CODM regularly reviews revenue and operating results derived from three operating divisions – sales and integration services, services income and securities investments. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

Sales and integration services:	Income from sales and services provision of integration services of computer and communication systems
Services income:	Income from design, consultation and production of information system software and management training services
Securities investments:	Listed securities in held-for-trading investments



## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

*For the year ended 31 March 2016*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>TURNOVER</b>				
External sales	<u>117,559</u>	<u>60,545</u>	<u>-</u>	<u>178,104</u>
<b>SEGMENT RESULTS</b>	<u>(10,411)</u>	<u>1,886</u>	<u>-</u>	<u>(8,525)</u>
Unallocated corporate income				83
Unallocated corporate expenses				(50,272)
Finance costs				<u>(2,995)</u>
Loss before taxation				(61,709)
Taxation				<u>(111)</u>
Loss for the year				<u><u>(61,820)</u></u>

For the year ended 31 March 2015

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
TURNOVER				
External sales	111,550	40,919	–	152,469
SEGMENT RESULTS	(15,834)	6,358	2,795	(6,681)
Unallocated corporate income				131
Unallocated corporate expenses				(26,155)
Finance costs				(1,635)
Loss before taxation				(34,340)
Taxation				(283)
Loss for the year				(34,623)

***Segment assets and liabilities***

The following is an analysis of the Group's assets and liabilities by reportable segments.

***At 31 March 2016***

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	84,089	43,307	–	127,396
Unallocated assets				17,993
Consolidated assets				145,389
Segment liabilities	81,186	41,813	–	122,999
Unallocated liabilities				60,567
Consolidated liabilities				183,566

At 31 March 2015

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	47,803	17,534	–	65,337
Unallocated assets				<u>17,943</u>
Consolidated assets				<u><u>83,280</u></u>
Segment liabilities	56,396	20,687	–	77,083
Unallocated liabilities				<u>2,567</u>
Consolidated liabilities				<u><u>79,650</u></u>

**Other information**

*For the year ended 31 March 2016*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	8	4	–	52	64
Depreciation of property, plant and equipment	215	111	–	9,385	9,711
Allowance for bad and doubtful debts	1,418	731	–	–	2,149
Impairment loss of other receivables	<u>567</u>	<u>293</u>	<u>–</u>	<u>–</u>	<u>860</u>

For the year ended 31 March 2015

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	294	108	–	3	405
Depreciation of property, plant and equipment	199	73	–	5,013	5,285
Allowance for bad and doubtful debts	<u>2,138</u>	<u>785</u>	<u>–</u>	<u>–</u>	<u>2,923</u>

### Geographical segments

No geographical segment analysis on turnover is provided as substantially all of the Group's revenue and contribution to results were derived from the People's Republic of China (the "PRC").

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment	
	31.3.2016 <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>	31.3.2016 <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
Hong Kong	<b>4,971</b>	17,176	<b>52</b>	3
The PRC, excluding Hong Kong	<b>140,418</b>	66,104	<b>12</b>	402
	<u><b>145,389</b></u>	<u>83,280</u>	<u><b>64</b></u>	<u>405</u>

## Information on major customers

Included in turnover arising from sales and integration services and service income of approximately HK\$178,104,000 (2015: approximately HK\$152,469,000) are turnover of approximately HK\$117,109,000 (2015: approximately HK\$102,866,000) which arose from sales to the Group's three (2015: three) major customers and each customer accounted for more than 10% of the Group's total turnover.

Turnover from major customers, each of whom amounted to 10% or more of the Group's total turnover, is set out below:

	2016		2015	
	Turnover <i>HK\$'000</i>	Percentage <i>of turnover</i>	Turnover <i>HK\$'000</i>	Percentage <i>of turnover</i>
Customer A	56,667	32%	63,635	42%
Customer B	32,328	18%	19,203	13%
Customer C	28,114	16%	20,028	13%

No other single customers contributed 10% or more to the Group's turnover for both 2016 and 2015.

## 5. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank interest income	83	106
Dividend income from held-for-trading investments	–	296
Sundry income	–	24
	<u>83</u>	<u>426</u>

## 6. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	111	283
	<u>111</u>	<u>283</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

## 7. LOSS FOR THE YEAR

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Loss for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	<b>2,149</b>	2,923
Auditor's remuneration	<b>500</b>	500
Cost of inventories recognised as an expense	<b>142,082</b>	118,693
Depreciation of property, plant and equipment	<b>9,711</b>	5,285
Impairment loss of other receivables	<b>860</b>	–
Rent and rates	<b>10,569</b>	10,560
Share-based payment expenses ( <i>Note</i> )	<b>19,680</b>	–
Staff costs (including directors' emoluments)		
– salaries and allowance	<b>32,848</b>	32,405
– retirements benefits scheme contributions	<b>3,179</b>	2,662
	<b>36,027</b>	35,067
And after crediting:		
Bank interest income	<b>83</b>	106
Gain on disposal of property, plant and equipment	<b>–</b>	<b>1</b>

*Note:* On 15 January 2016, the Company granted a total of 1,069,558,120 share options under its share option scheme to certain consultants and an employee of the Group. The fair value of those 1,069,558,120 share options amounting to approximately HK\$19,680,000 was recognised as share-based payment expenses for the year.

## **8. LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of the basic loss per share for the year ended 31 March 2016 was based on the Group's loss attributable to owners of the Company of approximately HK\$56,747,000 (2015: approximately HK\$29,113,000) and the number of ordinary shares of 21,391,162,483 (2015: 21,391,162,483 shares) in issue at the end of the reporting period.

### **(b) Diluted loss per share**

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares which is share option. The calculation of diluted loss per share for the year ended 31 March 2016 does not assume the exercise of the share options since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

For the year ended 31 March 2015, there is no potential dilutive ordinary share held by the Company. The amount of diluted loss per share is the same as basic loss per share.

## 9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers, the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<b>93,316</b>	52,798
<i>Less: Allowance for bad and doubtful debts</i>	<u><b>(33,807)</b></u>	<u>(31,658)</u>
	<u><b>59,509</b></u>	<u>21,140</u>
Other receivables	<b>1,211</b>	3,200
Prepayments	<b>22,432</b>	8,692
Deposits	<u><b>1,255</b></u>	<u>1,091</u>
	<u><b>24,898</b></u>	<u>12,983</u>
Total	<u><u><b>84,407</b></u></u>	<u><u>34,123</u></u>

Other receivables, prepayments and deposits mainly consist of approximately HK\$117,000 for the deposit for leasehold improvements, approximately HK\$1,009,000 for the rental and utility deposit of offices in Hong Kong and the PRC, approximately HK\$461,000 for the tender guarantee of integration services contracts and approximately HK\$21,824,000 for the prepayments of inventories to suppliers.

The following is an aging analysis of trade receivables net of allowance for bad and doubtful debts presented based on the date of receipt of customers' acceptance/date of rendering of services:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	<b>38,484</b>	16,881
31-90 days	<b>17,472</b>	761
Over 90 days	<u><b>3,553</b></u>	<u>3,498</u>
	<u><u><b>59,509</b></u></u>	<u><u>21,140</u></u>



Movements in the allowance for bad and doubtful debts:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance at beginning of the year	<b>31,658</b>	28,735
Allowance recognised on receivables	<u>2,149</u>	<u>2,923</u>
Balance at end of the year	<u><b>33,807</b></u>	<u>31,658</u>

There is no trade receivables that are past due but not impaired for both years ended of 2016 and 2015.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### 10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age included in trade payables based on invoice date at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables		
0-90 days	<b>39,080</b>	14,235
91-180 days	<b>10,488</b>	10,510
Over 180 days	<u>21,144</u>	<u>11,566</u>
	<u><b>70,712</b></u>	<u>36,311</u>
Other payables:		
Receipts in advance	<b>16,703</b>	6,850
Accruals and others	<u>12,829</u>	<u>3,543</u>
	<u><b>29,532</b></u>	<u>10,393</u>
Total	<u><b>100,244</b></u>	<u>46,704</u>

The average credit period on purchases is ranged from 60 to 180 days.

## 11. COMMITMENTS

### (i) Operating lease commitments

#### *The Group as lessee*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Minimum lease payments in respect of rented premises paid under operating leases during the year	<u>10,398</u>	<u>10,417</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	2,123	3,074
In the second to fifth year inclusive	<u>–</u>	<u>–</u>
	<u>2,123</u>	<u>3,074</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises in Hong Kong and the PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years.

### (ii) Capital commitments

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted but not provided for in the financial statements in respect of property, plant and equipment	<u>4,291</u>	<u>4,313</u>
Additional share capital in a subsidiary due and payable (2015: within a period of 8 months)	<u>–</u>	<u>40,138</u>

## **EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2016.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that, the Group's total liabilities exceeded its total assets by approximately HK\$38,177,000 and capital deficiency attributable to owners of the Company approximately HK\$52,901,000 as at 31 March 2016 and the Group incurred a loss of approximately HK\$61,820,000 for the year ended 31 March 2016. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in Note 2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

## **FINANCIAL REVIEW**

### **Financial Performance**

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK\$178,104,000 (2015: approximately HK\$152,469,000) representing an increase of approximately 16.8% when compared to 2015. The increase in turnover is attributable to an increase in the sales and integration services contracts during the year. In line with the increase in turnover, gross profit increased to approximately HK\$31,260,000 (2015: approximately HK\$29,703,000) representing an increase of approximately 5.2% compared to 2015. The gross profit margin decreased from approximately 19.5% in 2015 to approximately 17.6% this year. Administrative expenses increased by approximately HK\$25,505,000 when compared to 2015, which is mainly due to (i) share-based payment expenses of approximately HK\$19,680,000 recognised for the 1,069,558,120 share options granted under the Company's share option scheme during the year and (ii) an increase of approximately HK\$4,400,000 in depreciation for the year. The above-mentioned increase in depreciation is due to leasehold improvement with a carrying amount of approximately HK\$8,800,000 at the beginning of the years needs to be amortised fully over the financial year ended 31 March 2016, i.e. its remaining lease term whereas there is no such depreciation for the first half year of the financial year ended 31 March 2015.

The Group recorded a loss attributable to owners of the Company of approximately HK\$56,747,000 (2015: approximately HK\$29,113,000) for the year.

### **Financial Resources and Position**

Total debts of the Group amounted to approximately HK\$83,213,000 (2015: approximately HK\$32,783,000), comprising loan from ultimate holding company of approximately HK\$49,801,000 (2015: approximately HK\$794,000), amount due to the non-controlling interests of a subsidiary of approximately HK\$31,849,000 (2015: approximately HK\$31,989,000) and other borrowing of approximately HK\$1,563,000 (2015: Nil). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 32.4% (2015: approximately 35.0%), representing a decrease of approximately 7.4% as compared to 2015. Cash and cash equivalents amounted to approximately HK\$36,027,000 (2015: approximately HK\$3,629,000) as at 31 March 2016 which are mostly denominated in Hong Kong Dollars and Renminbi. As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks.

The Group had no assets pledged or any material contingent liabilities as at 31 March 2016. At the end of the year, the current ratio of the Group is approximately 1.08 (2015: approximately 0.92).

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

### **BUSINESS REVIEW AND FUTURE PROSPECT**

The Group is principally engaged in (i) network and system integration by the production of software and provision of solutions and related services; (ii) trading of communication products; (iii) provision of financial services; (iv) investment holdings; (v) securities investments; and (vi) provision of telecommunications infrastructure solution services. Through the operations of Beijing HollyBridge System Integration Co., Limited ("Beijing HollyBridge"), the major subsidiary of the Group, the Group has provided one stop solution, including hardware and system modification for the customers. The management continued to devote its effort to enhance the operational efficiency of Beijing HollyBridge, and during the year ended 31 March 2016, service contracts entered into with various customers such as banks, governmental agencies and public transportation companies amounted to approximately RMB176 million.

On 26 November 2015, the injection of additional share capital amounting to RMB31,620,000 (approximately HK\$38,374,000) into Beijing HollyBridge was completed. Beijing HollyBridge remains to be accounted for as a 51% indirect non-wholly owned subsidiary of the Company at the end of the financial year and its financial results were consolidated into the financial statements of the Company and its subsidiaries accordingly. The capital injection was funded by a loan from ultimate holding company of the Company. The loan is unsecured and bears interest at a prevailing market rate.

Looking forward, to turn the Group back to a profitable position, the Company (i) will enhance operational efficiency by removing duplication and bottlenecks through standardisation of work procedures and simplification of operation process and; (ii) will further tighten its budgetary control by vigorously implementing measures for cost and expense control, optimising cost analysis and appraisal mechanism, and constantly strengthening cost management. In addition, the Group is monitoring closely the latest trends and the development of the global economy and to take advantage of all business opportunities.

The Company has been actively identifying projects with growth potential for acquisition or investment and has been in discussions with various independent third parties for such acquisition or investment. However, the Company was unable to materialise any potential acquisition or investment due to various reasons. Meanwhile, the Company intends to enrich and improve its financial resources by conducting a fund raising exercise. The Company is in preliminary discussion with various agents and will comply with the requirements of the Listing Rules when and as the circumstance required.

## **OTHER INFORMATION**

### **Employees**

As at 31 March 2016, the Group had a total of 175 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced lifestyle and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing in his own remuneration.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

### **Corporate Governance**

During the year ended 31 March 2016, the Company complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except code provision A.2.1 and A.4.1.

Under code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities is ensured by the operation of the Board which comprised of experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment of Mr. Ko Ming Tung, Edward as the independent non-executive Director, however, all independent non-executive Directors are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting those in the CG Code.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2016.

### **Audit Committee**

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 March 2016, in conjunction with the Group's external auditor, HLM CPA Limited.

## **Scope of work of HLM CPA Limited**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditors, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary announcement.

## **Annual General Meeting**

For details of the annual general meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or around 31 July 2016.

## **Appreciation**

On behalf of the Board, I would like to take this opportunity to express my gratitude to all staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board  
**Wai Chun Group Holdings Limited**  
**LAM Ching Kui**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2016

As at the date of this announcement, the Board comprises:

### ***Executive Director:***

LAM Ching Kui (*Chairman and Chief Executive Officer*)

### ***Independent Non-executive Directors:***

KO Ming Tung, Edward

SHAW Lut, Leonardo

TO Yan Ming, Edmond