偉 俊 集 團 控 股 有 限 公 司 *

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

2018 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 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**106,153**	117,171
Cost of sales		**(100,231)**	(104,185)
Gross profit		**5,922**	12,986
Other income	*5*	**123**	982
Other gains and losses		**(7,995)**	(3,330)
Selling and distribution expenses		**(2,323)**	(22,673)
Administrative expenses		**(28,676)**	(40,410)
Finance costs		**(7,030)**	(8,559)
Loss before taxation		**(39,979)**	(61,004)
Taxation	*6*	**(61)**	–
Loss for the year	*7*	**(40,040)**	(61,004)
Loss attributable to:			
– Owners of the Company		**(33,505)**	(48,853)
– Non-controlling interests		**(6,535)**	(12,151)
		(40,040)	(61,004)
Loss per share	*9*	***HK cents***	*HK cents*
– Basic		**(0.16)**	(0.23)
– Diluted		**(0.16)**	(0.23)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(40,040)**	(61,004)
Other comprehensive (expense) income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(4,658)**	956
Other comprehensive (expense) income for the year	**(4,658)**	956
Total comprehensive expense for the year	**(44,698)**	(60,048)
Total comprehensive expense attributable to:		
– Owners of the Company	**(36,497)**	(48,235)
– Non-controlling interests	**(8,201)**	(11,813)
	(44,698)	(60,048)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current asset			
Property, plant and equipment		**3,591**	485
Current assets			
Inventories		**9,204**	13,021
Trade and other receivables, prepayments and deposits	*10*	**81,944**	130,358
Fixed deposits		**300**	300
Bank balances and cash		**37,638**	28,553
		129,086	172,232
Current liabilities			
Trade and other payables	*11*	**80,681**	135,776
Tax payable		**61**	–
Borrowings	*12*	**39,016**	39,056
Amount due to a director		**11,170**	–
Amounts due to the non-controlling interests of a subsidiary		**35,973**	31,401
		166,901	206,233
Net current liabilities		**(37,815)**	(34,001)
Total assets less current liabilities		**(34,224)**	(33,516)
Non-current liability			
Loans from ultimate holding company		**108,696**	64,709
Net liabilities		**(142,920)**	(98,225)
Capital and reserves			
Share capital		**213,912**	213,912
Reserves		**(351,545)**	(315,048)
Capital deficiency attributable to owners of the Company		**(137,633)**	(101,136)
Non-controlling interests		**(5,287)**	2,911
Capital deficiency		**(142,920)**	(98,225)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2018

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 of the Company, the ultimate holding company of the Company is Supreme Union Holdings Limited ("**Supreme Union**"), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui ("**Mr. Lam**"), who is the chairman of the board of directors and an executive director of the Company. The immediate holding company of the Company is Ka Chun Holdings Limited. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. In addition, the functional currency of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

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 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$142,920,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$137,633,000 as at 31 March 2018, and the Group incurred a loss attributable to owners of the Company of approximately HK$33,505,000 for the year ended 31 March 2018.

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 2018, the Company has drawn down loans of approximately HK$108,696,000 and undrawn loan facilities of approximately HK$81,304,000 granted by its ultimate holding company, Supreme Union, which are provided on a subordinated basis. Supreme Union 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 granted by Supreme Union as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statement.

(iii) The directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs.

(iv) The directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

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.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

The Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities in the People's Republic of China (the "**PRC**") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, 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 consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvement to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective date to be determined.

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

The directors of the Company do not anticipate that the application of the other new or revised standards and amendments will have a material impact on the consolidated financial statements.

4. REVENUE 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 general trading. 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
General trading	Revenue from trading of mobiles and electronic components

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 2018

	Sales and integration services *HK$'000*	**Services income** *HK$'000*	**General trading** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**9,467**	**12,872**	**83,814**	**106,153**
SEGMENT RESULTS	**(6,431)**	**(4,527)**	**373**	**(10,585)**
Unallocated corporate income				**123**
Unallocated corporate expenses				**(22,487)**
Finance costs				**(7,030)**
Loss before taxation				**(39,979)**
Taxation				**(61)**
Loss for the year				**(40,040)**

For the year ended 31 March 2017

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
REVENUE				
External sales	28,880	41,657	46,634	117,171
SEGMENT RESULTS	(9,529)	(11,138)	(27)	(20,694)
Unallocated corporate income				982
Unallocated corporate expenses				(32,733)
Finance costs				(8,559)
Loss before taxation				(61,004)
Taxation				–
Loss for the year				(61,004)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales for both years.

Segment assets and liabilities

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

At 31 March 2018

	Sales and integration services	**Services income**	**General trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**17,276**	**23,489**	**13,945**	**54,710**
Unallocated assets				**77,967**
Consolidated assets				**132,677**
Segment liabilities	**32,127**	**43,679**	**13,285**	**89,091**
Unallocated liabilities				**186,506**
Consolidated liabilities				**275,597**

At 31 March 2017

	Sales and integration services	Services income	General trading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	59,217	85,414	22,270	166,901
Unallocated assets				5,816
Consolidated assets				172,717
Segment liabilities	69,138	99,724	21,023	189,885
Unallocated liabilities				81,057
Consolidated liabilities				270,942

Other information

For the year ended 31 March 2018

	Sales and integration services *HK$'000*	**Services income** *HK$'000*	**General trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to property, plant and equipment	**–**	**–**	**–**	**3,401**	**3,401**
Depreciation of property, plant and equipment	**54**	**72**	**–**	**180**	**306**
Allowance for bad and doubtful debts	**4,016**	**5,460**	**–**	**–**	**9,476**
Impairment loss of other receivables	**340**	**462**	**–**	**51**	**853**

For the year ended 31 March 2017

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	4	7	–	–	11
Depreciation of property, plant and equipment	109	156	–	227	492
Allowance for bad and doubtful debts	873	1,261	–	–	2,134
Impairment loss of other receivables	393	568	–	–	961

Geographical segments

In presenting geographical information, revenue is based on the geographical location of the external customers.

2018	**Hong Kong** ***HK$'000***	**The PRC** ***HK$'000***	**Total** ***HK$'000***
Revenue	**83,814**	**22,339**	**106,153**

2017	Hong Kong *HK$'000*	The PRC *HK$'000*	Total *HK$'000*
Revenue	46,634	70,537	117,171

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**	
	2018 ***HK$'000***	2017 *HK$'000*	**2018** ***HK$'000***	2017 *HK$'000*
Hong Kong	**42,498**	27,882	**3,401**	–
The PRC, excluding Hong Kong	**90,179**	144,835	**–**	11
	132,677	172,717	**3,401**	11

Information on major customers

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

	2018		2017	
	Revenue *HK$'000*	**Percentage of revenue**	Revenue *HK$'000*	Percentage of revenue
Customer A[1]	**29,590**	**28%**	46,635	40%
Customer B[2]	**N/A**	**N/A**	36,068	31%
Customer C[2]	**N/A**	**N/A**	14,212	12%
Customer D[1]	**16,519**	**16%**	–	–
Customer E[1]	**16,072**	**15%**	–	–
Customer F[1]	**13,647**	**13%**	–	–

1 Revenue from general trading.

2 Revenue from sales and integration services and services income. The corresponding revenue did not contribute over 10% of total revenue of the Group in 2018.

No other single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

5. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Bank interest income	**26**	107
Consultancy income	**–**	100
Sundry income	**97**	775
	123	982

6. TAXATION

	2018 *HK$'000*	2017 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**61**	–
PRC Enterprise Income Tax	**–**	–
	61	–

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits less estimated available tax losses for the year ended 31 March 2018. No provision for Hong Kong Profits Tax has been provided in the consolidated financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for last year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. No provision for PRC Enterprise Income Tax had been made as the Group did not generate any assessable profits in the PRC in both years.

7. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	**9,476**	2,134
Auditor's remuneration		
– Audit services	**500**	500
– Non-audit services	**128**	128
Cost of inventories recognised as an expense	**100,231**	101,237
Depreciation of property, plant and equipment	**306**	492
Impairment loss of other receivables	**853**	961
Rent and rates	**7,690**	10,416
Staff costs (including directors' emoluments)		
– salaries and allowance	**7,531**	25,771
– retirement benefits scheme contributions	**952**	1,841
	8,483	27,612
And after crediting:		
Bank interest income	**26**	107
Gain on disposal of property, plant and equipment	**–**	100

8. DIVIDEND

No dividend was paid or proposed during 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the year ended 31 March 2018 was based on the Group's loss attributable to owners of the Company of approximately HK$33,505,000 (2017: approximately HK$48,853,000) and the number of ordinary shares of 21,391,162,483 (2017: 21,391,162,483) in issue at the end of the reporting year.

(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 options. No adjustment was made in calculating the diluted loss per share for the year ended 31 March 2018 and 2017 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the year ended 31 March 2018 and 2017.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration service/service income, on average the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance/date of rendering services, except for certain contracts with longer implementation schedules where the credit period may extend beyond 90 days, or may be extended for major or specific customers. The credit terms granted to trade customers in respect of sales of mobiles and electronic components are due within 90 days from the date of billing.

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**74,955**	148,722
Less: Allowance for bad and doubtful debts	**(46,729)**	(35,941)
	28,226	112,781
Other receivables	**6,420**	1,530
Prepayments	**46,641**	15,166
Deposits	**657**	881
	53,718	17,577
Total	**81,944**	130,358

Other receivables, prepayments and deposits mainly consist of approximately HK$657,000 for the rental and utility deposit of offices in Hong Kong and the PRC, and approximately HK$46,641,000 for the prepayments of to suppliers for purchase of inventories. Subsequent to 31 March 2018, the prepayments of approximately HK$37,523,000 has been settled.

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 /date of invoices:

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
0-90 days	**26,240**	58,770
91-180 days	**1,962**	3,533
Over 180 days	**24**	50,478
	28,226	112,781

Movements in the allowance for bad and doubtful debts:

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**35,941**	33,807
Allowance recognised on receivables	**9,476**	2,134
Exchange realignment	**1,312**	–
Balance at end of the year	**46,729**	35,941

As at 31 March 2018, trade receivables of HK$1,986,000 (2017: 34,655,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors. The aging analysis of the trade receivables which are past due but not impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**1,962**	27,493
91-180 days	**24**	7,162
Over 180 days	**–**	–
Total	**1,986**	34,655

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

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on the date of goods delivered/the period of service rendered/date of invoices:

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note i)*		
0-90 days	**15,262**	36,987
91-180 days	**2,849**	20,504
Over 180 days	**20,333**	42,127
	38,444	99,618
Other payables *(note ii)*		
Receipts in advance	**5,981**	3,381
Accruals and others	**36,256**	32,777
	42,237	36,158
Total	**80,681**	135,776

Notes:

(i) At 31 March 2018, trade payables of RMB8,464,000 (approximately HK$10,587,000) (2017: RMB28,538,000 (approximately HK$32,444,000)) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"), please refer to the note 14(ii) to the consolidated financial statements for details.

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

(ii) The other payables mainly consist of approximately HK$5,981,000 for deposits received from customers, approximately HK$21,719,000 for accrued rental expenses for offices in Hong Kong and the PRC, HK$5,935,000 for accrued salaries in Hong Kong, HK$3,326,000 for VAT tax payables in PRC, and approximately HK$1,809,000 for accrued legal and professional expenses.

The directors of the Company consider that the trade and other payables approximates their fair values.

12. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Loans from independent third parties	**39,016**	37,237
Loan from a director of a subsidiary	**–**	1,819
	39,016	39,056

The amounts are unsecured, repayable within one year and bearing interest at fixed interest rate.

13. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**4,725**	1,686
In the second to fifth year inclusive	**2,076**	–
	6,801	1,686

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

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for in the financial statements in respect of intangible assets	**–**	4,832

14. LITIGATIONS AND CONTINGENT LIABILITIES

(i) RMB24,000,000 amount due to non-controlling interest of Beijing HollyBridge

The non-controlling shareholder of Beijing HollyBridge (the "**Non-controlling Shareholder**") had advanced RMB24,000,000 (approximately HK$27,285,000) to Beijing HollyBridge during the period from June 2013 to February 2015. The amount due has been recognised as liability in the consolidated financial statements at the relevant time. The amount due is unsecured, repayable on demand and bears interest at prevailing interest rate since 1 April 2014.

According to the civil claim filed with the Haidian District People's Court of Beijing by the Non-controlling Shareholder (as plaintiff), it was claimed that Beijing HollyBridge failed to repay the amount due when it was demanded by the Non-controlling Shareholder.

On 17 April 2017, Haidian District People's Court of Beijing issued a ruling for the above civil claim that the company should repay the principal amount of borrowings of RMB24,000,000 to the Non-controlling Shareholder. Beijing HollyBridge applied for an appeal to Beijing First Intermediate People's Court on 15 May 2017. According to the judgement of the Beijing First Intermediate People's Court dated on 31 October 2017, the appeal was repudiated and repayment of the borrowings was ordered. Further to the judgement, Haidian District People's Court of Beijing issued an execution judgement which provided the conclusion of the execution procedure of the above mentioned case in accordance with the law of the PRC.

The directors of the Company consider that no provision is required as the principal, interest and related legal costs incurred during the year have already been recorded as liability in the consolidated financial statements. Since the aforementioned case has been wholly concluded, the directors of the Company believe that additional interest and legal costs are unlikely to be incurred. As such, no provision for additional liabilities in this respect has been made in the consolidated financial statements.

(ii) Litigations/mediations with suppliers

As 31 March 2018, trade payables in the amount of RMB8,464,000 (approximately HK$10,587,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/ legal fee of RMB1,284,000 (approximately HK$1,606,000).

As 31 March 2018, bank balances of Beijing HollyBridge amounted to RMB2,231,000 (approximately HK$2,790,000) was frozen by the court pursuant to the aforesaid suppliers' claims.

The directors of the Company are of the view that the litigations/mediations have no significant impact on the Group's financial position and its operating result for the year ended 31 March 2018 as all the above payable amounts have already been recorded in the consolidated financial statements as at 31 March 2018.

(iii) Deposit refund of RMB5,817,000

During the year ended 31 March 2017, an arbitral claim against a subsidiary of the Company, Holy (Hong Kong) Universal Limited ("**Holy (Hong Kong)**") was filed for refund of a management deposit of RMB5,817,000 (approximately HK$7,276,000) by the Non-controlling Shareholder. The deposit originated from a management agreement made between Holy (Hong Kong), the Non-controlling Shareholder and some other parties. On the same day when the management agreement were signed, the rights and obligations of the deposit was transferred to an independent third party (the "**Assignee**") according to a legal rights assignment (the "**Assignment Agreement**") entered into between Holy (Hong Kong) and the Assignee. According to the Assignment Agreement, the Assignee would take custody of the deposit and is liable for the repayment of deposit on demand on completion of the obligations under the management agreement. The Assignee has not made the payment as required and as a result Holy (Hong Kong)'s 51% of the equity interests in Beijing Hollybridge has been frozen. In the opinion of the directors of the Company, in case when the Assignee defaults to repay, Holy (Hong Kong) may be obligated to make the deposit refund.

Having sought advices from PRC legal counsel, the directors of the Company believe that the above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the consolidated financial statements.

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 2018.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern and litigations

The accompanying consolidated financial statements for the year ended 31 March 2018 have been prepared assuming that the Group will continue as a going concern. 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$142,920,000 and capital deficiency attributable to owners of the Company was approximately HK$137,633,000 as at 31 March 2018, and the Group incurred a loss attributable to owners of the Company of approximately HK$33,505,000 for the year ended 31 March 2018. 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.

Also, we draw attention to note 36 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group. Our opinion is not qualified in respect of these matters.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 March 2018, the revenue of general trading segment increased by 79.7% to approximately HK$83,814,000 (2017: approximately HK$46,634,000) because of the increase in demand for mobile and electronic components. However, this increase was more than offset by the 68.3% reduction in total revenue of the sale and integration services segment and the services income segment due to keen market competition and also the stringent project selection process employed by the management. As a result, the Group recorded overall revenue of approximately HK$106,153,000 (2017: approximately HK$117,171,000) representing a decrease of approximately 9.4% when compared to 2017.

The gross profit and the gross profit margin of the Group for the year ended 31 March 2018 amounted to approximately HK$5,922,000 and 5.6% respectively, representing decreases of approximately HK$7,064,000 and 5.5% respectively as compared with the gross profit of approximately HK$12,986,000 and the gross profit margin of 11.1% for 2017. The decrease in gross profit margin was mainly due to the low gross profit margin of the general trading business, despite the gross profit margin on sales and integration services and services income was similar to the same for last year.

Selling and distribution expenses for the year ended 31 March 2018 dropped by 89.8% to HK$2,323,000 (2017: approximately HK$22,673,000) because of various cost control measures employed by the management and the decrease in the revenue of sales and integration services and services income. Administrative expenses during the year under review decreased by approximately HK$11,734,000 when compared to 2017, which also resulted from the tighter cost control measures.

The Group recorded a loss attributable to owners of the Company of approximately HK$33,505,000 for the year (2017: approximately HK$48,853,000).

Financial Resources and Position

Total debts of the Group amounted to approximately HK$194,855,000 (2017: approximately HK$135,166,000), comprising loan from ultimate holding company of approximately HK$108,696,000 (2017: approximately HK$64,709,000), amounts due to the non-controlling interests of a subsidiary of approximately HK$35,973,000 (2017: approximately HK$31,401,000), amount due to a director of approximately HK$11,170,000 (2017: Nil) and borrowings of approximately HK$39,016,000 (2017: approximately HK$39,056,000). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except amount due to a director, 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 120.4% (2017: approximately 72.4%), representing an increase of approximately 48% as compared to 2017. Cash and cash equivalents amounted to approximately HK$35,148,000 (2017: approximately HK$10,134,000) as at 31 March 2018 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 as at 31 March 2018. At the end of the financial year, the current ratio of the Group is approximately 0.77 (2017: approximately 0.84). On the basis of the undrawn loan facilities of approximately HK$81,304,000, granted by its ultimate holding company, Supreme Union, which will be provided on a subordinated basis, the Directors believe that the Group has sufficient financial resources for its operations. The directors will remain cautious in the Group's liquidity management.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

Litigations and Contingent Liabilities

During the period and up to the date of this announcement, the Group has been involved in certain legal proceedings of material importance. Details of the litigations and contingent liabilities are set out in Note 14 to the consolidated financial statements.

For the litigations referred in Note 14(i) & 14(ii), the directors are of the view that they have no significant impact on the Group's financial position and its operating result for the year ended 31 March 2018 as all the above amounts have already been recorded in the consolidated financial statements as at 31 March 2018. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

For the arbitral claim of deposit refund of RMB5,817,000 (approximately HK$7,276,000) as stated in Note 14(iii), as the rights and obligation of the deposit was transferred to an independent third party, having sought legal advices, the directors believe that above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the consolidated financial statements accordingly.

BUSINESS REVIEW AND FUTURE PROSPECT

The Group is principally engaged in (i) general trading; (ii) network and system integration by the production of software and provision of solutions and related services; (iii) investment holdings; and (iv) the provision of telecommunications infrastructure solution services.

During the year under review, the management continued to devote its effort to enhance the operational efficiency of the sale and integration services segment and the services income segment through stringent project selection and tighter cost control measures. As a result, the segment loss of the sale and integration services segment and the services income segment decreased by 32.5% and 59.4% respectively.

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. Meanwhile, the Company intends to enrich and improve its financial resources by conducting fund raising exercises such as share placement or loan capitalisation, when necessary.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 30 April 2018, the equity transfer agreement regarding the acquisition of entire share capital in the Insight Technology International Investment Group Limited (the "**Agreement**") has lapsed on 30 April 2018 as the conditions to the Agreement had not been fulfilled by the long stop date and no extension of time was agreed by the parties to the Agreement.

Save as disclosed above, the Group had no other material event after the reporting period.

OTHER INFORMATION

Employees

As at 31 March 2018, the Group had a total of 21 employees, the majority of whom are situated in Hong Kong. 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 2018.

Corporate Governance

During the year ended 31 March 2018, 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 2018.

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 2018, in conjunction with the Group's external auditor, HLM CPA Limited.

Scope of work of HLM CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement 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.

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, 27 June 2018

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