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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)

2019 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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4	**204,875**	106,153
Cost of sales		**(197,431)**	(100,231)
Gross profit		**7,444**	5,922
Other income	5	**879**	123
Other gains and losses		**(319)**	2,334
Impairment losses on trade receivables, net reversal		**(7,903)**	(9,476)
Impairment losses on contract assets		**(302)**	–
Reversal of impairment losses (impairment losses) on other receivables		**518**	(853)
Selling and distribution expenses		**(18)**	(2,323)
Administrative expenses		**(24,192)**	(28,676)
Finance costs		**(7,382)**	(7,030)
Loss before taxation		**(31,275)**	(39,979)
Taxation	6	**61**	(61)
Loss for the year	7	**(31,214)**	(40,040)
Loss attributable to:			
– Owners of the Company		**(28,771)**	(33,505)
– Non-controlling interests		**(2,443)**	(6,535)
		(31,214)	(40,040)
Loss per share	9	*HK cents*	*HK cents*
– Basic		**(0.13)**	(0.16)
– Diluted		**(0.13)**	(0.16)

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(31,214)**	(40,040)
Other comprehensive income (expense):		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**5,283**	(4,658)
Other comprehensive income (expense) for the year	**5,283**	(4,658)
Total comprehensive expense for the year	**(25,931)**	(44,698)
Total comprehensive expense attributable to:		
– Owners of the Company	**(25,637)**	(36,497)
– Non-controlling interests	**(294)**	(8,201)
	(25,931)	(44,698)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current asset			
Property, plant and equipment		**2,769**	3,591
Current assets			
Inventories		**5,108**	9,204
Trade and other receivables, prepayments and deposits	*10*	**64,323**	81,944
Contract assets		**5,733**	–
Fixed deposits		**300**	300
Bank balances and cash		**32,651**	37,638
		108,115	129,086
Current liabilities			
Trade and other payables	*11*	**97,308**	80,681
Contract liabilities		**3,402**	–
Tax payable		**–**	61
Borrowings	*12*	**32,142**	39,016
Amount due to a director		**537**	11,170
Amounts due to the non-controlling interests of a subsidiary		**34,971**	35,973
		168,360	166,901
Net current liabilities		**(60,245)**	(37,815)
Total assets less current liabilities		**(57,476)**	(34,224)
Non-current liability			
Loans from ultimate holding company		**112,592**	108,696
Net liabilities		**(170,068)**	(142,920)
Capital and reserves			
Share capital		**213,912**	213,912
Reserves		**(377,803)**	(351,545)
Capital deficiency attributable to owners of the Company		**(163,891)**	(137,633)
Non-controlling interests		**(6,177)**	(5,287)
Capital deficiency		**(170,068)**	(142,920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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$170,068,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$163,891,000 as at 31 March 2019, and the Group incurred a loss attributable to owners of the Company of approximately HK$28,771,000 for the year ended 31 March 2019.

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 2019, the Company has drawn down loans of approximately HK$112,592,000 and undrawn loan facilities of approximately HK$77,408,000 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 nor cancel the undrawn loan facilities until all other liabilities of the Group have 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. Also, ultimate controlling party and his spouse agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable amounting to approximately HK$35,594,000 until all other third parties liabilities of the Group had been satisfied.

(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 her 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Impairment losses on financial assets were reclassified as "other gains and losses" in 2018 to conform to current year's presentation as a result of consequential changes made to HKAS 1 Presentation of Financial Statements. Impairment losses on financial assets that were previously classified as other losses are now presented separately in the consolidated statement of profit or loss.

Except as described below, the application of the above new and 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.

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.1.1 Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39 except for the impact of ECL.

3.1.2 Effect arising from initial application of HKFRS 9

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue costs or effort.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the new and 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.

The table below explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	Original classification under HKAS 39	**New classification under HKFRS 9**	**Original carrying amount under HKAS 39**	**Remeasurement under HKFRS 9 through reserves**	**New carrying amount under HKFRS 9**
			HK$'000	*HK$'000*	*HK$'000*
Financial assets					
Trade receivables	Loan and receivables	Amortised cost	28,226	(1,217)	27,009
Deposits and other receivables	Loan and receivables	Amortised cost	7,077	–	7,077
Bank balances and cash	Loan and receivables	Amortised cost	35,148	–	35,148
Total financial assets			70,451	(1,217)	69,234

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Trade receivables	Accumulated losses	Non-controlling interest
	HK$000	*HK$000*	*HK$000*
Closing balance at 31 March 2018 – HKAS 39	28,226	(368,550)	(5,287)
Effect arising from initial application of HKFRS 9:			
Remeasurement			
Impairment under ECL model	(1,217)	(621)	(596)
Opening balance at 1 April 2018	27,009	(369,171)	(5,883)

3.2 *Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales and services provision of integration services of computer and communication systems

- Services income from design, consultation and production of information system software and management training services

- General trading of mobiles and electronic components and chemicals

The revenue from general trading are recognised at a point in time, sales and services provision of integration services of computer and communication systems and service income are accrued on a time basis. The application of HKFRS 15 does not have significant impact on the amounts reported in the consolidated financial statements for the year 2018 and 2019.

3.2.1 Effect arising from initial application of HKFRS 15

"Receipts in advance from customers" in relation to deposits or payments received in advance for sales and services provision of integration services of computer and communication systems, trading of mobiles and electronic components, which was previously included in "Other payables and accruals" has been reclassified as "Contract liabilities".

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables	42,237	(5,981)	36,256
Contract liabilities	–	5,981	5,981

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables	47,231	(3,402)	43,829
Contract liabilities	–	3,402	3,402

At the date of initial application, the Group has assessed that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date to be determined.
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$15,186,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

4. REVENUE AND SEGMENT INFORMATION

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 2019

	Sales and integration services *HK$'000*	**Services income** *HK$'000*	**General trading** *HK$'000*	**Total** *HK$'000*
Recognised at a point in time	**–**	**–**	**158,684**	**158,684**
Recognised over time	**27,313**	**18,878**	**–**	**46,191**
Reportable segment revenue from external customers	**27,313**	**18,878**	**158,684**	**204,875**
SEGMENT RESULTS	**(9,591)**	**(1,642)**	**(1,307)**	**(12,540)**
Unallocated corporate income				**879**
Unallocated corporate expenses				**(12,232)**
Finance costs				**(7,382)**
Loss before taxation				**(31,275)**
Taxation				**61**
Loss for the year				**(31,214)**

For the year ended 31 March 2018

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Recognised at a point in time	–	–	83,814	83,814
Recognised over time	9,467	12,872	–	22,339
Reportable segment revenue from external customers	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)

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 2019

	Sales and integration services	**Services income**	**General trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**14,640**	**9,992**	**77,865**	**102,497**
Unallocated assets				**8,387**
Consolidated assets				**110,884**
Segment liabilities	**46,990**	**31,038**	**89,234**	**167,262**
Unallocated liabilities				**113,690**
Consolidated liabilities				**280,952**

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

Other information

For the year ended 31 March 2019

	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	**–**	**–**	**–**	**10**	**10**
Depreciation of property, plant and equipment	**20**	**13**	**–**	**794**	**827**
Impairment losses on trade receivables, net reversal	**4,799**	**3,104**	**–**	**–**	**7,903**
Impairment losses on contract asset	**–**	**302**	**–**	**–**	**302**
Reversal of impairment losses of other receivables	**(315)**	**(203)**	**–**	**–**	**(518)**

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
Impairment losses on trade receivables	4,016	5,460	–	–	9,476
Impairment losses of other receivables	340	462	–	51	853

Geographical segments

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

2019	**Hong Kong** ***HK$'000***	**The PRC** ***HK$'000***	**Total** ***HK$'000***
Revenue	**42,290**	**162,585**	**204,875**

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

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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**31,257**	42,498	**10**	3,401
The PRC, excluding Hong Kong	**79,627**	90,179	**–**	–
	110,884	132,677	**10**	3,401

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:

	2019		2018	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	HK$'000		*HK$'000*	
Customer A[1]	**116,403**	**57%**	–	–
Customer B[2]	**37,388**	**18%**	–	–
Customer C[1]	**–**	**–**	29,590	28%
Customer D[3]	**N/A**	**N/A**	16,519	16%
Customer E[3]	**N/A**	**N/A**	16,072	15%
Customer F[1]	**–**	**–**	13,647	13%

1 Revenue from general trading.

2 Revenue from sales and integration services and service income.

3 Revenue from general trading. The corresponding revenue did not contribute over 10% of total revenue of the Group in 2019.

No other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**10**	26
Other interest income	**436**	–
Sundry income	**433**	97
	879	123

6. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	61
PRC Enterprise Income Tax	**–**	–
	–	61
Overprovision in prior year		
Hong Kong	**(61)**	–
	(61)	61

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements.

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 the year ended 31 March 2019. 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.

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– Audit services	**500**	500
– Non-audit services	**128**	128
Cost of inventories recognised as an expense	**196,770**	100,231
Depreciation of property, plant and equipment	**827**	306
Impairment loss on trade receivables, net reversal	**7,903**	9,476
Impairment loss on contract assets	**302**	–
(Reversal of impairment loss) impairment loss of other receivables	**(518)**	853
Rent and rates	**8,671**	7,690
Staff costs (including directors' emoluments)		
– salaries and allowance	**5,001**	7,531
– retirement benefits scheme contributions	**467**	952
	5,468	8,483

8. DIVIDEND

No dividend was paid or proposed during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the year ended 31 March 2019 was based on the Group's loss attributable to owners of the Company of approximately HK$28,771,000 (2018: approximately HK$33,505,000) and the number of ordinary shares of 21,391,162,483 (2018: 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 2019 and 2018 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 2019 and 2018.

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 and chemicals are due within 30 to 90 days from the date of billing.

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**82,727**	74,955
Less: Impairment allowance	**(51,598)**	(46,729)
	31,129	28,226
Other receivables	**11,327**	6,420
Prepayments	**21,205**	46,641
Deposits	**662**	657
	33,194	53,718
Total	**64,323**	81,944

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$21,205,000 for the prepayments of to suppliers for purchase of inventories.

The following is an aging analysis of trade receivables net of impairment allowance presented based on the date of receipt of customers' acceptance/date of rendering of services/date of invoices:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
0-90 days	**23,779**	26,240
91-180 days	**7,341**	1,962
Over 180 days	**9**	24
	31,129	28,226

Movements in the impairment allowance on trade receivables:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of the year (as previously reported)	**46,729**	35,941
Effect of adoption of HKFRS 9	**1,217**	–
Balance at beginning of the year (as restated)	**47,946**	35,941
Allowance recognised on receivables	**9,041**	9,476
Foreign currency exchange differences	**(3,034)**	1,312
Reversal of impairment loss	**(2,355)**	–
Balance at end of the year	**51,598**	46,729

As at 31 March 2019, trade receivables of HK$7,350,000 (2018: 1,986,000) 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:

	2019	2018
	HK$'000	*HK$'000*
0-90 days	**7,341**	1,962
91-180 days	**9**	24
Over 180 days	**–**	–
Total	**7,350**	1,986

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:

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note i)*		
0-90 days	**26,991**	15,262
91-180 days	**5,848**	2,849
Over 180 days	**20,640**	20,333
	53,479	38,444
Other payables *(note ii)*		
Receipts in advance	**–**	5,981
Accruals and others	**43,829**	36,256
	43,829	42,237
Total	**97,308**	80,681

Notes:

(i) At 31 March 2019, trade payables of RMB8,132,000 (approximately HK$9,511,000) (2018: RMB8,464,000 (approximately HK$10,587,000)) 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 this announcement for details.

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

(ii) The other payables mainly consist of approximately HK$29,479,000 for accrued rental expenses for offices in Hong Kong and the PRC, HK$6,512,000 for accrued salaries in Hong Kong and the PRC, HK$3,338,000 for VAT tax payables in PRC, and approximately HK$1,691,000 for accrued legal and professional expenses.

12. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Interest-bearing borrowings *(note i)*	**–**	39,016
Interest-free borrowings *(note ii)*	**32,142**	–
	32,142	39,016

Notes:

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

(ii) The amounts are unsecured and repayable within one year and non-interest bearing. Subsequent to 31 March 2019, RMB19,300,000 (approximately HK$22,573,000) of the borrowings have been settled.

13. COMMITMENTS

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:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**6,748**	4,725
In the second to fifth year inclusive	**8,438**	2,076
	15,186	6,801

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.

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$28,070,000) 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 2019, trade payables in the amount of RMB8,132,000 (approximately HK$9,511,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,271,000 (approximately HK$1,486,000).

As 31 March 2019, bank balances of Beijing HollyBridge amounted to RMB255,000 (approximately HK$299,000) 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 2019 as all the above payable amounts have already been recorded in the consolidated financial statements as at 31 March 2019.

(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$6,804,000) 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 and take legal action against the Assignee.

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 2019.

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 2019, 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 2019 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$170,068,000 and capital deficiency attributable to owners of the Company was approximately HK$163,891,000 as at 31 March 2019, and the Group incurred a loss attributable to owners of the Company of approximately HK$28,771,000 for the year ended 31 March 2019. 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 38 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 2019, the revenue of general trading segment increased by 89.3% to approximately HK$158,684,000 (2018: approximately HK$83,814,000) because of the new business of trading of chemicals in PRC. The Group recorded overall revenue of approximately HK$204,875,000 (2018: approximately HK$106,153,000) representing an increase of approximately 93.0% when compared to 2018.

The gross profit of the Group for the year ended 31 March 2019 amounted to approximately HK$7,444,000 representing an increase of approximately HK$1,522,000 as compared with the gross profit of approximately HK$5,922,000 for last year. The gross profit margin for the year ended 31 March 2019 was approximately 3.6% as compared to 5.6% for 2018. 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 last year.

Selling and distribution expenses for the year ended 31 March 2019 dropped by 99% to HK$18,000 (2018: approximately HK$2,323,000) because of various cost control measures employed by the management especially in the sales and integration services and services income segments. Administrative expenses during the year under review decreased by approximately HK$4,484,000 (15.6%) when compared to 2018, which also resulted from the tighter cost control measures.

During the year ended 31 March 2019, the finance costs increased approximately HK$352,000 to HK$7,382,000 (2018: approximately HK$7,030,000). The increase was mainly due to the increase in loans from the ultimate holding company.

The Group recorded a loss attributable to owners of the Company of approximately HK$28,771,000 for the year (2018: approximately HK$33,505,000).

Financial Resources and Position

Total debts of the Group amounted to approximately HK$180,242,000 (2018: approximately HK$194,855,000), comprising loan from ultimate holding company of approximately HK$112,592,000 (2018: approximately HK$108,696,000), amounts due to the non-controlling interests of a subsidiary of approximately HK$34,971,000 (2018: approximately HK$35,973,000), amount due to a director of approximately HK$537,000 (2018: 11,170,000) and borrowings of approximately HK$32,142,000 (2018: approximately HK$39,016,000). 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 133.7% (2018: approximately 120.4%), representing an increase of approximately 13.3% as compared to 2018. Cash and cash equivalents amounted to approximately HK$32,022,000 (2018: approximately HK$35,148,000) as at 31 March 2019 which are mostly denominated in Hong Kong Dollars and Renminbi.

The Group is not exposed to significant currency risk as most of its monetary assets and monetary liabilities are denominated in the functional currency of the individual group entity.

The Group had no assets pledged as at 31 March 2019 (2018: Nil). At the end of the financial year, the current ratio of the Group is approximately 0.64 (2018: approximately 0.77). On the basis of the undrawn loan facilities of approximately HK$77,408,000, 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 2019 (2018: 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 2019 as all the above amounts have already been recorded in the consolidated financial statements as at 31 March 2019. 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$6,804,000) 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; and (iii) investment holdings.

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. On the other hand, the Group strived for a new business into trading of chemicals in this year.

Looking forward, to turn the Group back to a profitable position, the Company (i) will continue to 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 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.

OTHER INFORMATION

Employees

As at 31 March 2019, the Group had a total of 23 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.

Material Acquisition and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries for the year ended 31 March 2019.

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 2019.

Corporate Governance

During the year ended 31 March 2019, 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 2019.

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 2019, 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 2019 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, 26 June 2019

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
TO Yan Ming, Edmond
Professor Ho Kin Chung, B.B.S., J.P.