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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)**

## **2020 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 2020.

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
<b>Revenue</b>	<b>4</b>	<b>134,755</b>	204,875
Cost of sales		<b>(129,050)</b>	(197,431)
Gross profit		<b>5,705</b>	7,444
Other income	<b>5</b>	<b>123</b>	879
Other gains and losses		<b>(629)</b>	(319)
Impairment losses, net of reversal		<b>1,269</b>	(7,687)
Selling and distribution expenses		<b>–</b>	(18)
Administrative expenses		<b>(23,092)</b>	(24,192)
Finance costs		<b>(9,043)</b>	(7,382)
<b>Loss before tax</b>		<b>(25,667)</b>	(31,275)
Taxation	<b>6</b>	<b>–</b>	61
<b>Loss for the year</b>	<b>7</b>	<b>(25,667)</b>	(31,214)
<b>(Loss) profit attributable to:</b>			
– Owners of the Company		<b>(28,094)</b>	(28,771)
– Non-controlling interests		<b>2,427</b>	(2,443)
		<b>(25,667)</b>	(31,214)
<b>Loss per share</b>	<b>9</b>	<b>HK cents</b>	<b>HK cents</b>
– Basic		<b>(0.13)</b>	(0.13)
– Diluted		<b>(0.13)</b>	(0.13)

\* *for identification purpose only*

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(25,667)</u>	<u>(31,214)</u>
<b>Other comprehensive income:</b>		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>3,067</u>	<u>5,283</u>
<b>Other comprehensive income for the year</b>	<u>3,067</u>	<u>5,283</u>
<b>Total comprehensive expense for the year</b>	<u><u>(22,600)</u></u>	<u><u>(25,931)</u></u>
<b>Total comprehensive (expense) income attributable to:</b>		
– Owners of the Company	(26,568)	(25,637)
– Non-controlling interests	<u>3,968</u>	<u>(294)</u>
	<u><u>(22,600)</u></u>	<u><u>(25,931)</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,673</b>	2,769
Right-of-use assets		<b>7,681</b>	–
		<b>10,354</b>	2,769
<b>Current assets</b>			
Inventories		<b>8,450</b>	5,108
Trade and other receivables, prepayments and deposits	<i>10</i>	<b>56,731</b>	64,323
Contract assets		–	5,733
Fixed deposits		<b>300</b>	300
Bank balances and cash	<i>15(ii)</i>	<b>12,576</b>	32,651
		<b>78,057</b>	108,115
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>99,927</b>	97,308
Contract liabilities		<b>2,011</b>	3,402
Borrowings	<i>12</i>	<b>10,948</b>	32,142
Amount due to a director		<b>672</b>	537
Amounts due to the non-controlling interests of a subsidiary		<b>33,984</b>	34,971
Lease liabilities due to a related party		<b>8,016</b>	–
		<b>155,558</b>	168,360
<b>Net current liabilities</b>		<b>(77,501)</b>	(60,245)
<b>Total assets less current liabilities</b>		<b>(67,147)</b>	(57,476)
<b>Non-current liabilities</b>			
Loans from ultimate holding company		<b>121,460</b>	112,592
Lease liabilities due to a related party		<b>4,061</b>	–
		<b>125,521</b>	112,592
<b>Net liabilities</b>		<b>(192,668)</b>	(170,068)
<b>Capital and reserves</b>			
Share capital		<b>213,912</b>	213,912
Reserves		<b>(404,371)</b>	(377,803)
Capital deficiency attributable to owners of the Company		<b>(190,459)</b>	(163,891)
Non-controlling interests		<b>(2,209)</b>	(6,177)
<b>Capital deficiency</b>		<b>(192,668)</b>	(170,068)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2020*

## 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 Wai Chun Investment Fund (“**Wai Chun IF**”), which is a private limited company incorporated in the Cayman 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. On 4 November 2019, Supreme Union Holdings Limited (“**Supreme Union**”), the previous ultimate holding company of the Company, transferred its holding of 100% issued share capital of Ka Chun Holdings Limited, the immediate holding company of the Company, to Wai Chun IF. After completion of the transfer, Wai Chun IF becomes the ultimate holding company of the Company. 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

For the year ended 31 March 2020, the Group incurred a net loss attributable to the owners of the Company of approximately HK\$28,094,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$77,501,000 and HK\$192,668,000 respectively, the Company had net current liabilities and net liabilities of approximately HK\$32,675,000 and HK\$150,514,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$190,459,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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 2020, the Company has drawn down loans of approximately HK\$121,460,000 and undrawn loan facilities of approximately HK\$68,540,000 granted by its ultimate holding company, Wai Chun IF, which are provided on a subordinated basis. Wai Chun IF 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. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by the previous ultimate holding company, Supreme Union, were assigned to Wai Chun IF under the same terms and conditions.
- (ii) In addition to the loan facilities granted by Wai Chun IF 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, his spouse and companies controlled by them agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable and lease liabilities amounting to approximately HK\$42,500,000 and HK\$12,077,000 respectively due to them 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 date of this annual report after 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 date of this report, 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 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 the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### ***HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

#### *Definition of a lease*

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

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

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

- i. applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rate of the relevant group entities at the date of initial application. The incremental borrowing rate applied by the Group is 6.25%.

	<i><b>HK\$'000</b></i>
Operating lease commitments disclosed as at 31 March 2019	<b>15,186</b>
Lease liabilities discounted at relevant incremental borrowing rate	<b>14,108</b>
Less: Recognition exemption – short-term leases	<b>(2,586)</b>
Lease liabilities as at 1 April 2019	<b>11,522</b>
Analysed as	
Current	<b>3,645</b>
Non-current	<b>7,877</b>
	<b>11,522</b>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<b>Right-of-use assets HK\$'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<b>11,522</b>

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

	<b>Carrying amounts previously reported as at 31 March 2019 HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000</b>
<b>Non-current assets</b>			
Right-of-use assets	–	11,522	11,522
<b>Current liabilities</b>			
Lease liabilities	–	(3,645)	(3,645)
<b>Non-current liabilities</b>			
Lease liabilities	–	(7,877)	(7,877)



### **New and amendments to HKFRSs in issue 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 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. REVENUE AND SEGMENT INFORMATION

##### Segment revenue and results

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

*For the year ended 31 March 2020*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recognised at a point in time	–	–	78,276	78,276
Recognised over time	44,778	11,701	–	56,479
Reportable segment revenue from external customers	44,778	11,701	78,276	134,755
SEGMENT RESULTS	4,632	1,606	(1,875)	4,363
Unallocated corporate income				123
Unallocated corporate expenses				(21,110)
Finance costs				(9,043)
Loss before tax				(25,667)
Taxation				–
Loss for the year				(25,667)

*For the year ended 31 March 2019*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 tax				(31,275)
Taxation				61
Loss for the year				(31,214)

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 2020***

	<b>Sales and integration services <i>HK\$'000</i></b>	<b>Services income <i>HK\$'000</i></b>	<b>General trading <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Segment assets</b>	<b>25,088</b>	<b>7,469</b>	<b>41,776</b>	<b>74,333</b>
<b>Unallocated assets</b>				<b>14,078</b>
				<hr/>
<b>Consolidated assets</b>				<b>88,411</b>
				<hr/> <hr/>
<b>Segment liabilities</b>	<b>47,148</b>	<b>14,037</b>	<b>38,645</b>	<b>99,830</b>
<b>Unallocated liabilities</b>				<b>181,249</b>
				<hr/>
<b>Consolidated liabilities</b>				<b>281,079</b>
				<hr/> <hr/>

***At 31 March 2019***

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

## Other information

*For the year ended 31 March 2020*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to property, plant and equipment	–	–	–	810	810
Depreciation of property, plant and equipment	3	1	–	900	904
Depreciation of right-of-use assets	–	–	–	3,841	3,841
Gain on disposal of property, plant and equipment	–	–	–	(17)	(17)
Reversal of impairment losses on trade receivables	(1,790)	(468)	–	–	(2,258)
Reversal of impairment losses on contract asset	(223)	(59)	–	–	(282)
Impairment losses on other receivables	<u>1,008</u>	<u>263</u>	<u>–</u>	<u>–</u>	<u>1,271</u>

*For the year ended 31 March 2019*

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 on other receivables	<u>(315)</u>	<u>(203)</u>	<u>–</u>	<u>–</u>	<u>(518)</u>

### Geographical segments

The Group's operations are located on Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	11,264	42,290	10,320	2,729
The PRC, excluding Hong Kong	123,491	162,585	34	40
	<u>134,755</u>	<u>204,875</u>	<u>10,354</u>	<u>2,769</u>

### 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:

	2020		2019	
	Revenue HK\$'000	Percentage of revenue	Revenue HK\$'000	Percentage of revenue
Customer A <sup>1</sup>	–	–	116,403	57%
Customer B <sup>2</sup>	40,117	30%	–	–
Customer C <sup>3</sup>	N/A	N/A	37,388	18%
Customer D <sup>1</sup>	36,508	27%	–	–
Customer E <sup>1</sup>	18,355	14%	–	–

<sup>1</sup> Revenue from general trading.

<sup>2</sup> Revenue from sales and integration services and service income.

<sup>3</sup> Revenue from sales and integration services and service income. The corresponding revenue did not contribute over 10% of total revenue of the Group in 2020.

No other single customer contributed 10% or more to the Group's revenue for both 2020 and 2019.

## 5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	5	10
Other interest income	118	436
Sundry income	—	433
	<u>123</u>	<u>879</u>

## 6. TAXATION

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	—	—
	<u>—</u>	<u>—</u>
Overprovision in prior year		
Hong Kong Profits Tax	—	(61)
	<u>—</u>	<u>(61)</u>

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 both years.

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

	2020 HK\$'000	2019 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– Audit services	500	500
– Non-audit services	128	128
Cost of inventories recognised as an expense	127,968	196,770
Depreciation of property, plant and equipment	904	827
Depreciation on right-of-use assets	3,841	–
Total minimum lease payments for leases previously classified as operating lease under HKAS 17 ( <i>note</i> )	–	8,509
Lease payment for short-term lease not included in the measurement of the lease liabilities ( <i>note</i> )	4,394	–
Gain on disposal of property, plant and equipment	(17)	–
Staff costs (including directors' emoluments)		
– salaries and allowance	7,056	5,001
– retirement benefits scheme contributions	507	467
	<u>7,563</u>	<u>5,468</u>

*Note:*

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use asset relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 3.

## 8. DIVIDEND

No dividend was paid or proposed during 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share for the year ended 31 March 2020 was based on the Group's loss attributable to owners of the Company of approximately HK\$28,094,000 (2019: approximately HK\$28,771,000) and the number of ordinary shares of 21,391,162,483 (2019: 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 2020 and 2019 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 2020 and 2019.

**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, plastic resins and chemicals are due within 0 to 90 days from the date of billing.

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<b>73,362</b>	82,727
<i>Less: Impairment allowance</i>	<b>(46,041)</b>	(51,598)
	<u><b>27,321</b></u>	<u>31,129</u>
Other receivables	<b>26,552</b>	11,327
Prepayments	<b>1,957</b>	21,205
Deposits	<b>901</b>	662
	<u><b>29,410</b></u>	<u>33,194</u>
Total	<u><b>56,731</b></u>	<u>64,323</u>

Subsequent to 31 March 2020, approximately RMB20,900,000 (approximately HK\$22,881,000) of other receivables have been settled. The ECL on other receivables are not material given there is no history of significant defaults from counterparties.



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:

	<b>2020</b> <b>HK\$'000</b>	2019 <b>HK\$'000</b>
Trade receivables		
0-90 days	–	23,779
91-180 days	<b>27,321</b>	7,341
Over 180 days	–	9
	<u>27,321</u>	<u>31,129</u>
	<b>27,321</b>	<b>31,129</b>

Movements in the impairment allowance on trade receivables:

	<b>2020</b> <b>HK\$'000</b>	2019 <b>HK\$'000</b>
Balance at beginning of the year	<b>51,598</b>	47,946
Allowance recognised on receivables	–	9,041
Foreign currency exchange differences	<b>(3,299)</b>	(3,034)
Reversal of impairment loss	<b>(2,258)</b>	(2,355)
	<u>46,041</u>	<u>51,598</u>
Balance at end of the year	<b>46,041</b>	<b>51,598</b>

As at 31 March 2020, trade receivables of HK\$27,321,000 (2019: HK\$7,350,000) 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:

	<b>2020</b> <b>HK\$'000</b>	2019 <b>HK\$'000</b>
0-90 days	–	7,341
91-180 days	<b>27,321</b>	9
Over 180 days	–	–
	<u>27,321</u>	<u>7,350</u>
Total	<b>27,321</b>	<b>7,350</b>

## 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:

	2020 HK\$'000	2019 HK\$'000
Trade payables ( <i>note i</i> )		
0-90 days	982	26,991
91-180 days	26,658	5,848
Over 180 days	17,756	20,640
	<u>45,396</u>	<u>53,479</u>
Other payables ( <i>note ii</i> )		
Accruals and others	54,531	43,829
	<u>54,531</u>	<u>43,829</u>
Total	<u>99,927</u>	<u>97,308</u>

*Notes:*

- (i) At 31 March 2020, trade payables of RMB8,132,000 (approximately HK\$8,903,000) (2019: RMB8,132,000 (approximately HK\$9,511,000)) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited (“**Beijing HollyBridge**”), please refer to the note 15(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\$33,647,000 for accrued rental expenses for offices in Hong Kong and the PRC to related parties, HK\$8,409,000 for accrued salaries in Hong Kong to Mr. Lam, his spouse and his son, HK\$2,095,000 for accrued salaries to other employees in Hong Kong and the PRC, HK\$3,848,000 for VAT tax payables in the PRC.

## 12. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Interest-free borrowings	<u>10,948</u>	<u>32,142</u>

The amount is unsecured and repayable within one year and non-interest bearing. Subsequent to 31 March 2020, RMB10,000,000 (approximately HK\$10,948,000) of the borrowings was fully 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 HK\$'000
Within one year	6,748
In the second to fifth year inclusive	<u>8,438</u>
	<u>15,186</u>

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

## 14. EVENTS AFTER THE REPORTING PERIOD

### (i) Proposed issue of convertible bonds

On 21 May 2020, the Group entered into two subscription agreements with two subscribers (the “**Subscribers**”) respectively, pursuant to which the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds with the principal amount of HK\$79,000,000 and HK\$73,000,000 respectively, an aggregate amount of HK\$152,000,000. The convertible bonds will bear interest at the rate of 4% per annum and payable quarterly in arrears. The proposed issue of the convertible bonds has not yet been completed as at the date of this announcement.

### (ii) Proposed acquisition

On 22 April 2020, Mayland Asian Limited, a subsidiary of the Group being the purchaser and High Fortune Holdings Limited being the vendor entered into a non-legally binding memorandum of understanding in relation to acquisition of 30% of the total issued share capital of a target company which is engaged in the business of property development in the PRC. The amount of the consideration for the proposed acquisition will be determined by the vendor and purchaser upon further negotiation. The completion of the sale and purchase agreement is conditional upon the fulfilment of various conditions precedent. The proposed acquisition has not yet been completed as at the date of this announcement.

(iii) **Outbreak of the coronavirus disease 2019 (“COVID-19”)**

Since the outbreak of the COVID-19 began in January 2020 across the country, the Company and its subsidiaries has actively responded to and strictly implemented the various regulations and requirements of the government for virus epidemic prevention and controls.

The Company expects that the COVID-19 epidemic situation and prevention and control measures will have a certain temporary impact on the Group’s operation, and the degree of impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies.

The Company will continue to pay close attention to the development of the COVID-19 epidemic, evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the reporting date of the consolidated financial statements, no significant adverse impact has been found.

**15. 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\$26,276,000) 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 2020, trade payables in the amount of RMB8,132,000 (approximately HK\$8,903,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,446,000 (approximately HK\$1,583,000).

As 31 March 2020, bank balances of Beijing HollyBridge amounted to RMB793,000 (approximately HK\$868,000) 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 2020 as all the above payable amounts have already been recorded in the consolidated financial statements as at 31 March 2020.

**(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\$6,369,000) 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 2020.

### **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 2020, 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 2020 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to this announcement which indicates that, the Group incurred a net loss attributable to owners of the Company of approximately HK\$28,094,000 for the year ended 31 March 2020 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$77,501,000 and HK\$192,668,000 respectively, the Company had net current liabilities and net liabilities of approximately HK\$32,675,000 and HK\$150,514,000 respectively, and also, the Group’s capital deficiency attributable to owners of the Company was approximately HK\$190,459,000. 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 this announcement, these consolidated financial statements have been prepared on a going concern basis.

Also, we draw attention to note 15 to this announcement 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 2020, the Group recorded overall revenue of approximately HK\$134,755,000 (2019: approximately HK\$204,875,000) representing a decrease of approximately 34.2% when compared to 2019. This is largely due to the revenue of general trading segment decreased by 50.7% to approximately HK\$78,276,000 (2019: approximately HK\$158,684,000) because the demand of mobile components and chemicals of customers are decreasing.

The gross profit of the Group for the year ended 31 March 2020 amounting to approximately HK\$5,705,000 representing a decrease of approximately HK\$1,739,000 or 23.4% as compared with the gross profit of approximately HK\$7,444,000 for last year. The gross profit margin for the year ended 31 March 2020 was approximately 4.2% as compared to 3.6% for 2019. The increase in gross profit margin was mainly due to the higher gross profit margin of the sales and integration services and services income business segments, despite the gross profit margin on general trading segment slightly decreased as compared with last year.

Administrative expenses during the year under review decreased by 4.5% to approximately to HK\$23,092,000 (2019: approximately HK\$24,192,000), which resulted from the success of a tighter cost control measure. During the year ended 31 March 2020, the finance costs increased by 22.5% to approximately HK\$9,043,000 (2019: approximately HK\$7,382,000). The increase in finance costs was mainly due to the increased loan amount due to the ultimate holding company during the year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$28,094,000 for the year (2019: approximately HK\$28,771,000).

### **Financial Resources and Position**

Total debts of the Group amounted to approximately HK\$179,141,000 (2019: approximately HK\$180,242,000), comprising loan from ultimate holding company of approximately HK\$121,460,000 (2019: approximately HK\$112,592,000), amounts due to the non-controlling interests of a subsidiary of approximately HK\$33,984,000 (2019: approximately HK\$34,971,000), amount due to a director of approximately HK\$672,000 (2019: HK\$537,000), borrowings of approximately HK\$10,948,000 (2019: approximately HK\$32,142,000) and lease liabilities of approximately HK\$12,077,000 (2019: Nil). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except borrowings and amount due to a director, all of these debts are interest bearing or carried in an interest rate implicit in the lease liabilities.

The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 189.0% (2019: approximately 133.7%), representing an increase of approximately 55.3% as compared to 2019. Cash and cash equivalents amounted to approximately HK\$12,008,000 (2019: approximately HK\$32,022,000) as at 31 March 2020 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 2020 (2019: Nil). At the end of the financial year, the current ratio of the Group is approximately 0.50 times (2019: approximately 0.64 times). On the basis of the undrawn loan facilities of approximately HK\$68,540,000, granted by its ultimate holding company, Wai Chun IF, 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 2020 (2019: 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 15 to the consolidated financial statements.

For the litigations referred in Note 15(i) & 15(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 2020 as all the above amounts have already been recorded in the consolidated financial statements as at 31 March 2020. 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\$6,369,000) as stated in Note 15(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 2020, the Group had a total of 15 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 2020.

### **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 2020.

### **Corporate Governance**

During the year ended 31 March 2020, 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 2020.

### **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 2020, 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 2020 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.

### **Extension of Time for Appointment of Independent Non-executive Director**

Following the resignation of Professor Ho Kin Chung, B.B.S., J.P. (“Professor Ho”) on 26 February 2020, there is a vacancy in the position of the member of the Audit Committee of the Company and the Company only has two INEDs, thus the number of INEDs and number of the Audit Committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The new INED, now located in China, has in principle agreed with the appointment but due to the specific procedure on completion of 14-day home quarantine for inbound travellers in Hong Kong, the appointment procedure proposed to be completed once the quarantine procedure has been lifted, or an alternative procedure can be arranged without physically attending the appointment. Therefore, the Company requires more time to complete the statutory procedure for the appointment, an application had been made by the Company to the Stock Exchange for a waiver from strict compliance with Rules 3.10(1) and 3.21 of the Listing Rules and an extension of time for a period of two months from 25 May 2020 to 25 July 2020 for filling the vacancy of INED and the member of the Audit Committee headcount. Such waiver has been granted by the Stock Exchange to the Company with an extended period up to 25 July 2020 for filling the vacancy of INED and the member of the Audit Committee headcount. With the current arrangement being made, The Company shall appoint the new INED on or before 25 July 2020.

### **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, 30 June 2020

*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

CHAN Chun Wai, Tony