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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Wai Chun Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021, together with comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

- The Group’s revenue for the year amounting to approximately HK\$159,834,000, representing an increase of approximately 18.6% from approximately HK\$134,755,000 in 2020.
- The turnaround of loss of approximately HK\$25,667,000 for the year of 2020 to profit of approximately HK\$2,553,000 for current year.
- The Group incurred net current assets of approximately HK\$700,000 as at 31 March 2021 while net current liabilities of approximately HK\$77,501,000 as at 31 March 2020.

* for identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

| | Notes | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------|-------------------------|--------------------------------------|
| Revenue | 4 | 159,834 | 134,755 |
| Cost of sales | | <u>(156,493)</u> | <u>(129,050)</u> |
| Gross profit | | 3,341 | 5,705 |
| Other income | 5 | 135 | 123 |
| Other gains/(losses), net | 6 | 47,844 | 640 |
| Administrative expenses | | (26,898) | (23,092) |
| Finance costs | | <u>(21,869)</u> | <u>(9,043)</u> |
| Profit/(loss) before tax | 8 | 2,553 | (25,667) |
| Income tax expenses | 7 | <u>–</u> | <u>–</u> |
| Profit/(loss) for the year | | <u>2,553</u> | <u>(25,667)</u> |
| Profit/(loss) for the year attributable to: | | | |
| – Owners of the Company | | (17,932) | (28,094) |
| – Non-controlling interests | | <u>20,485</u> | <u>2,427</u> |
| | | <u>2,553</u> | <u>(25,667)</u> |
| Loss per share | 10 | <i>HK cents</i> | <i>HK cents</i> (Restated) |
| – Basic and diluted | | <u>(0.84)</u> | <u>(1.31)</u> |

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

For the year ended 31 March 2021

| | 2021 | 2020 |
|---|---------------------|------------------------|
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the year | <u>2,553</u> | <u>(25,667)</u> |
| Other comprehensive (expenses)/income, net of tax | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | <u>(555)</u> | <u>3,067</u> |
| Other comprehensive (expenses)/income for the year | <u>(555)</u> | <u>3,067</u> |
| Total comprehensive income/(expenses) for the year | <u><u>1,998</u></u> | <u><u>(22,600)</u></u> |
| Total comprehensive income/(expenses) for the year attributable to: | | |
| – Owners of the Company | (17,482) | (26,568) |
| – Non-controlling interests | <u>19,480</u> | <u>3,968</u> |
| | <u><u>1,998</u></u> | <u><u>(22,600)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 1,865 | 2,673 |
| Right-of-use assets | | <u>10,215</u> | <u>7,681</u> |
| | | <u>12,080</u> | <u>10,354</u> |
| Current assets | | | |
| Inventories | | 2,155 | 8,450 |
| Trade and other receivables, prepayments and deposits | 11 | 122,917 | 56,731 |
| Fixed deposits | | 300 | 300 |
| Bank balances and cash | | <u>19,405</u> | <u>12,576</u> |
| | | <u>144,777</u> | <u>78,057</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 106,724 | 99,927 |
| Contract liabilities | | 10,204 | 2,011 |
| Borrowings | 13 | 18,984 | 10,948 |
| Amount due to a director | | – | 672 |
| Amount due to a non-controlling interest of a subsidiary | | – | 33,984 |
| Lease liabilities | | <u>8,165</u> | <u>8,016</u> |
| | | <u>144,077</u> | <u>155,558</u> |
| Net current assets/(liabilities) | | <u>700</u> | <u>(77,501)</u> |
| Total assets less current liabilities | | <u>12,780</u> | <u>(67,147)</u> |
| Non-current liabilities | | | |
| Trade and other payables | 12 | 1,813 | – |
| Loans from ultimate holding company | | 7,498 | 121,460 |
| Amount due to a director | | 6,918 | – |
| Lease liabilities | | 2,297 | 4,061 |
| Convertible bonds | | <u>83,953</u> | <u>–</u> |
| | | <u>102,479</u> | <u>125,521</u> |
| Net liabilities | | <u>(89,699)</u> | <u>(192,668)</u> |
| Capital and reserves | | | |
| Share capital | | 213,912 | 213,912 |
| Reserves | | <u>(320,882)</u> | <u>(404,371)</u> |
| Capital deficiency attributable to owners of the Company | | (106,970) | (190,459) |
| Non-controlling interests | | <u>17,271</u> | <u>(2,209)</u> |
| Capital deficiency | | <u>(89,699)</u> | <u>(192,668)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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. 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 Company is an investment holding company.

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. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net liabilities of approximately HK\$89,699,000. 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. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

- (a) As at 31 March 2021, the Company has drawn down loan of approximately HK\$7,498,000 and undrawn loan facilities of approximately HK\$92,502,000 granted by Wai Chun IF, its ultimate holding company. 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, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle 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 statements. Also, Mr. Lam agreed not to request the Group, whenever necessary, to settle the balance due to him recorded in amount due to a director amounting to approximately HK\$6,918,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;
- (c) Wai Chun Holdings Group Limited, a related company controlled by Mr. Lam and his spouse, has also agreed not to request the Group, whenever necessary, to settle the balance due recorded in trade and other payables amounting to approximately HK\$1,813,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;

- (d) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (e) The directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this annual results announcement 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 annual results announcement, 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.

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

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

3.1 New and revised HKFRSs adopted during the financial year

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The following new and revised HKFRSs that are effective for annual periods beginning on or after 1 April 2020:

| New/Revised HKFRSs | | Effective Date |
|---|--------------------------------|-----------------------|
| Amendments to HKFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to HKAS 1 and 8 | Definition of Material | 1 January 2020 |
| Amendments to HKFRS 7 and 9, and HKAS 39 | Interest Rate Benchmark Reform | 1 January 2020 |

The adoption of the above new and revised HKFRSs did not result in significant changes and material effect on the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

3.2 New and revised HKFRSs that have been issued, but only effective for annual periods beginning on or after 1 April 2021

| New/Revised HKFRSs | | Effective Date |
|---|---|-----------------------|
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions | 1 June 2020 |
| Amendments to HKFRS 4, 7, 9 and 16, and HKAS 39 | Interest Rate Benchmark Reform | 1 January 2021 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions | 1 April 2021 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts–Cost of Fulfilling a Contract | 1 January 2022 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to HKAS 1 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to HK – Int 5 | Amendments to HKAS 1 | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Annual Improvements to HKFRS Standards 2018–2020 Cycle | | Effective Date |
| HKFRS 1 | Subsidiary as a first-time adopter | 1 January 2022 |
| HKFRS 9 | Fees in the ‘10 per cent’ test for derecognition of financial liabilities | 1 January 2022 |
| HKFRS 16 | Lease incentives | 1 January 2022 |
| HKAS 41 | Taxation in fair value measurements | 1 January 2022 |

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

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

Business segment

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

| | |
|--|---|
| Sales and integration services: | Income from sales and services provision of integration services of computer and communication systems |
| Services income: | Income from design, consultation and production of information system software and management training services |
| General trading: | Revenue from trading of mobiles and electronic components, plastic resins, chemicals, and agricultural products |

(A) 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 2021

| | 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 | 2,491 | – | 129,514 | 132,005 |
| Recognised over time | – | 27,829 | – | 27,829 |
| Reportable segment revenue from external customers | <u>2,491</u> | <u>27,829</u> | <u>129,514</u> | <u>159,834</u> |
| SEGMENT RESULTS | <u>4,766</u> | <u>1,381</u> | <u>(909)</u> | 5,238 |
| Unallocated corporate income | | | | 38,047 |
| Unallocated corporate expenses | | | | (18,863) |
| Finance costs | | | | <u>(21,869)</u> |
| Profit before tax | | | | 2,553 |
| Taxation | | | | <u>–</u> |
| Profit for the year | | | | <u>2,553</u> |

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 | 44,778 | – | 78,276 | 123,054 |
| Recognised over time | <u>–</u> | <u>11,701</u> | <u>–</u> | <u>11,701</u> |
| Reportable segment revenue from external customers | <u>44,778</u> | <u>11,701</u> | <u>78,276</u> | <u>134,755</u> |
| SEGMENT RESULTS | <u>4,632</u> | <u>1,606</u> | <u>(1,875)</u> | 4,363 |
| Unallocated corporate income | | | | 123 |
| Unallocated corporate expenses | | | | (21,110) |
| Finance costs | | | | <u>(9,043)</u> |
| Loss before tax | | | | (25,667) |
| Taxation | | | | <u>–</u> |
| Loss for the year | | | | <u>(25,667)</u> |

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales for the years ended 31 March 2021 and 2020.

(B) Segment assets and liabilities

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

At 31 March 2021

| | 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> |
|---------------------------------|---|--|--|----------------------------------|
| Segment assets | 4,143 | 46,292 | 91,074 | 141,509 |
| Unallocated assets | | | | 15,348 |
| Consolidated assets | | | | 156,857 |
| Segment liabilities | 3,898 | 43,544 | 82,269 | 129,711 |
| Unallocated liabilities | | | | 116,845 |
| Consolidated liabilities | | | | 246,556 |

At 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> |
|---------------------------------|---|--|--|----------------------------------|
| Segment assets | 25,088 | 7,469 | 41,776 | 74,333 |
| Unallocated assets | | | | 14,078 |
| Consolidated assets | | | | 88,411 |
| Segment liabilities | 47,148 | 14,037 | 38,645 | 99,830 |
| Unallocated liabilities | | | | 181,249 |
| Consolidated liabilities | | | | 281,079 |

(C) **Other information**

For the year ended 31 March 2021

| | 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 | - | - | - | 37 | 37 |
| Depreciation on property, plant and equipment | - | - | - | 847 | 847 |
| Depreciation on right-of-use assets | - | - | 357 | 5,403 | 5,760 |
| Reversal of impairment losses on trade receivables | <u>(5,258)</u> | <u>(4,681)</u> | <u>-</u> | <u>-</u> | <u>(9,939)</u> |

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 on property, plant and equipment | 3 | 1 | - | 900 | 904 |
| Depreciation on 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 assets | (223) | (59) | - | - | (282) |
| Impairment losses on other receivables | <u>1,008</u> | <u>263</u> | <u>-</u> | <u>-</u> | <u>1,271</u> |

(D) Geographical segments

The Group's operations are located in 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 | |
|------------------------------|---------------------------------|------------------|--------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2021 HK\$'000 | 2020 HK\$'000 |
| Hong Kong | 4,369 | 11,264 | 11,606 | 10,320 |
| The PRC, excluding Hong Kong | 155,465 | 123,491 | 474 | 34 |
| | <u>159,834</u> | <u>134,755</u> | <u>12,080</u> | <u>10,354</u> |

(E) 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:

| | 2021 | | 2020 | |
|-----------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Revenue HK\$'000 | Percentage of revenue | Revenue HK\$'000 | Percentage of revenue |
| Customer A (note i) | – | – | 40,117 | 30% |
| Customer B (note ii) | – | – | 36,508 | 27% |
| Customer C (note ii) | – | – | 18,355 | 14% |
| Customer D (note ii) | 73,219 | 46% | – | – |
| Customer E (note ii) | 51,984 | 33% | – | – |
| Customer F (note iii) | 21,391 | 13% | – | – |

note i Revenue from sales and integration services and service income.

note ii Revenue from general trading.

note iii Revenue from services income.

No other single customer contributed 10% or more to the Group's revenue for the years ended 31 March 2021 and 2020.

5. OTHER INCOME

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Bank interest income | 13 | 5 |
| Other interest income | – | 118 |
| Sundry income | <u>122</u> | <u>–</u> |
| | <u><u>135</u></u> | <u><u>123</u></u> |

6. OTHER GAINS/(LOSSES), NET

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Gain on disposal of property, plant and equipment | – | 17 |
| Net foreign exchange loss | (7) | (646) |
| Gain on issuance of convertible bonds | 2,365 | – |
| Gain from settlement of litigation cases (<i>note</i>) | 35,547 | – |
| Reversal of impairment loss on trade receivables | 9,939 | 2,258 |
| Reversal of impairment loss on contract assets | – | 282 |
| Impairment loss on other receivables | <u>–</u> | <u>(1,271)</u> |
| | <u><u>47,844</u></u> | <u><u>640</u></u> |

Note: The subsidiaries and a then non-controlling interest of Beijing HollyBridge System Integration Company Limited (the “**Beijing HollyBridge**”) have come to an out-of-court settlement to settle the litigation cases between them. The then non-controlling interest agreed to waive the Beijing HollyBridge for the repayment of the advancement of RMB24,000,000 (approximately HK\$27,484,000) and the accrued interest and litigation fee of approximately RMB7,041,000 (approximately HK\$8,063,000) made to Beijing HollyBridge.

7. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2021 and 2020. PRC subsidiaries are subject to PRC Corporate Income Tax at 25%. No provision for PRC Corporate Income Tax has been made since the Group did not generate any assessable profits for the years ended 31 March 2021 and 2020.

The taxation for the years can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------------------------|------------------|
| Profit/(loss) before tax | <u>2,553</u> | <u>(25,667)</u> |
| Tax at the applicable income tax rate of 16.5% (2020: 16.5%) | 421 | (4,235) |
| Tax effect of | | |
| – non-deductible expenses | 6,222 | 4,810 |
| – non-taxable income | – | (10) |
| – temporary differences not recognised | 100 | (41) |
| – utilisation of previously unrecognised tax losses | (10,453) | (1,241) |
| – tax losses not recognised | 233 | 455 |
| – tax concession | – | (5) |
| – tax effect of difference tax rates of subsidiaries operating in other jurisdiction | <u>3,477</u> | <u>267</u> |
| | <u>–</u> | <u>–</u> |

As at 31 March 2021, tax losses of approximately HK\$86,094,000 (2020: approximately HK\$118,446,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose.

8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is stated after charging the following:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of inventories recognised as an expense | 131,623 | 127,968 |
| Staff costs (including Directors' emoluments) | | |
| – Salaries, wages and other benefits | 6,257 | 7,056 |
| – Retirements benefits scheme contributions | 322 | 507 |
| | <u>6,579</u> | <u>7,563</u> |
| Depreciation of property, plant and equipment and right-of-use assets | 6,607 | 4,745 |
| Auditors' remuneration | | |
| – Audit services | 450 | 500 |
| – Non-audit services | 100 | 128 |
| Expenses related to short-term leases | <u>2,686</u> | <u>4,394</u> |

9. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|---------------------------|
| Loss | | |
| Loss for the year for the purpose of calculating basic and diluted loss per share | <u>(17,932)</u> | <u>(28,094)</u> |
| | <i>'000</i> | <i>'000</i> (restated) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | <u>2,139,116</u> | <u>2,139,116</u> |

Basic and diluted loss per share for the years ended 31 March 2021 and 2020 were the same because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | 2021 | 2020 |
|-----------------------------|------------------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 117,733 | 73,362 |
| Less: impairment allowances | (39,599) | (46,041) |
| | <u>78,134</u> | <u>27,321</u> |
| Other receivables | 35,591 | 26,552 |
| Prepayments | 8,323 | 1,957 |
| Deposits | 869 | 901 |
| | <u>44,783</u> | <u>29,410</u> |
| Total | <u><u>122,917</u></u> | <u><u>56,731</u></u> |

Subsequent to 31 March 2021, approximately RMB61,760,000 (approximately HK\$73,279,000) of trade receivables have been settled.

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:

| | 2021 | 2020 |
|---------------|-----------------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–90 days | 61,647 | – |
| 91–180 days | 10,225 | 27,321 |
| Over 180 days | 6,262 | – |
| | <u><u>78,134</u></u> | <u><u>27,321</u></u> |

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, chemicals and agricultural products are due within 0 to 90 days from the date of billing.

Movements in the impairment allowance on trade receivables

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| At 1 April | 46,041 | 51,598 |
| Reversal of expected credit loss (the “ECL”) allowance | (9,939) | (2,258) |
| Currency translation differences | <u>3,497</u> | <u>(3,299)</u> |
| At 31 March | <u><u>39,599</u></u> | <u><u>46,041</u></u> |

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

| | Current | Up to 3 months past due | 3 to 6 months past due | Over 6 months past due | Total |
|---------------------------------------|----------|-------------------------------|------------------------------|------------------------------|---------------|
| At 31 March 2021 | | | | | |
| Weighted average expected loss rate | – | – | – | 91% | |
| Receivable amount (<i>HK\$'000</i>) | 61,648 | 10,225 | 2,429 | 43,431 | 117,733 |
| Loss allowance (<i>HK\$'000</i>) | <u>–</u> | <u>–</u> | <u>–</u> | <u>39,599</u> | <u>39,599</u> |
| At 31 March 2020 | | | | | |
| Weighted average expected loss rate | – | – | – | 100% | |
| Receivable amount (<i>HK\$'000</i>) | – | – | 27,321 | 46,041 | 73,362 |
| Loss allowance (<i>HK\$'000</i>) | <u>–</u> | <u>–</u> | <u>–</u> | <u>46,041</u> | <u>46,041</u> |

As at 31 March 2021, trade receivables of HK\$16,486,000 (2020: HK\$27,321,000) 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.

12. TRADE AND OTHER PAYABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade payables (<i>note a</i>) | <u>93,149</u> | <u>45,396</u> |
| Accruals and other payables | | |
| Convertible bonds coupon payable | 3,840 | – |
| Other payables/accrued rental expenses payables to related parties | 1,813 | 33,429 |
| Accrued salaries due to Mr. Lam and related parties | – | 8,409 |
| Other accrued salaries in Hong Kong and the PRC | 280 | 2,095 |
| Other tax payables in PRC | 3,899 | 3,848 |
| Others | <u>5,556</u> | <u>6,750</u> |
| | <u>15,388</u> | <u>54,531</u> |
| | <u>108,537</u> | <u>99,927</u> |
| Analysis of: | | |
| Current liabilities | 106,724 | 99,927 |
| Non current liabilities (<i>note b</i>) | <u>1,813</u> | <u>–</u> |
| | <u>108,537</u> | <u>99,927</u> |

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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Within 30 days | 61,516 | 982 |
| Over 30 days and within 180 days | 9,933 | 26,658 |
| Over 180 days | <u>21,700</u> | <u>17,756</u> |
| | <u>93,149</u> | <u>45,396</u> |

Note a:

At 31 March 2021, trade payables of approximately RMB6,563,000 (approximately HK\$7,787,000) (2020: approximately RMB8,132,000 (approximately HK\$8,903,000)) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge.

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

Note b:

The amount due is unsecured, interest bearing at 6.25% and not repayable within one year. The related party has confirmed that will not demand the Group for repayment until all the other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements.

13. BORROWINGS

| | 2021 | 2020 |
|--------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest-free borrowings | <u>18,984</u> | <u>10,948</u> |

The amount was guaranteed by a subsidiary and a director of a subsidiary and repayable within one month and non-interest bearing. Subsequent to 31 March 2021, RMB16,000,000 (approximately HK\$18,984,000) of the borrowing was fully settled.

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 2021.

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 2021, 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 THE GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net liabilities of approximately HK\$89,699,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

Financial Performance

For the year ended 31 March 2021, the Group recorded overall revenue of approximately HK\$159,834,000 (2020: approximately HK\$134,755,000) representing an increase of approximately 18.6% when compared to 2020. This is largely due to the revenue of general trading segment increased by 65.5% to approximately HK\$129,514,000 (2020: approximately HK\$78,276,000) because the Group has expended the general trading segment revenue by trading agricultural products of approximately HK\$58,743,000 during the year (2020: nil).

The gross profit of the Group for the year ended 31 March 2021 amounting to approximately HK\$3,341,000 representing a decrease of approximately HK\$2,364,000 or 41.4% as compared with the gross profit of approximately HK\$5,705,000 for last year. The gross profit margin for the year ended 31 March 2021 was approximately 2.1% as compared to 4.2% for 2020. The decrease in gross profit margin was mainly due to the gross profit margin on general trading segment decreased, despite the higher gross profit margin of the sales and integration services and services income business segments as compared with last year.

Administrative expenses during the year under review increased by 16.5% to approximately to HK\$26,898,000 (2020: approximately HK\$23,092,000). During the year ended 31 March 2021, the finance costs increased by 141.8% to approximately HK\$21,869,000 (2020: approximately HK\$9,043,000). The increase in finance costs was mainly due to the interest expenses for the convertible bonds incurred during the year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$17,932,000 for the year (2020: approximately HK\$28,094,000).

Financial Resources and Position

Total debts of the Group amounted to approximately HK\$127,815,000 (2020: approximately HK\$179,141,000), comprising convertible bond of approximately HK\$83,953,000 (2020: nil), loans from ultimate holding company of approximately HK\$7,498,000 (2020: approximately HK\$121,460,000), amount due to a director of approximately HK\$6,918,000 (2020: approximately HK\$672,000), borrowings of approximately HK\$18,984,000 (2020: approximately HK\$10,948,000), lease liabilities of approximately HK\$10,462,000 (2020: HK\$12,077,000) and amount due to a non-controlling interests of a subsidiary of nil (2020: approximately HK\$33,984,000). All the above mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except borrowings, 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 68.9% (2020: approximately 189.0%), representing a decrease of approximately 120.1% as compared to 2020. Cash and cash equivalents amounted to approximately HK\$19,705,000 (2020: approximately HK\$12,008,000) as at 31 March 2021 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 2021 (2020: nil). At the end of the financial year, the current ratio of the Group is approximately 1.00 time (2020: approximately 0.50 times). On the basis of the undrawn loan facilities of approximately HK\$92,502,000, granted by its ultimate holding company, Wai Chun IF, 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 2021 (2020: nil).

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 agricultural products 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 2021, the Group had a total of 19 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 2021.

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 2021.

Corporate Governance

During the year ended 31 March 2021, 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. During the year, Mr. Ko Ming Tung was resigned as independent non-executive Director of the Company. 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 2021.

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 2021, in conjunction with the Group's external auditor, ZHONGHUI ANDA CPA Limited.

Scope of work of ZHONGHUI ANDA 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 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Publication of Annual Report

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company in due course.

Appreciation

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

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

Hong Kong, 29 June 2021

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

Executive Director:

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

Independent Non-executive Directors:

CHAN Wai Dune

WANG Wei

CHEN Dairong