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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the “**Board**”) of directors (the “**Director(s)**”) of Wai Chun Group Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017 together with the comparative figures for the corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

	<i>Notes</i>	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue	4	43,222	30,094
Cost of sales		<u>(40,300)</u>	<u>(22,507)</u>
Gross profit		2,922	7,587
Other income	5	103	840
Other gains and losses		(599)	(1,448)
Selling and distribution expenses		(2,520)	(13,824)
Administrative expenses		(14,413)	(17,170)
Finance costs	6	<u>(3,443)</u>	<u>(2,626)</u>
Loss before taxation		(17,950)	(26,641)
Taxation	7	<u>–</u>	<u>–</u>
Loss for the period	8	<u>(17,950)</u>	<u>(26,641)</u>
Loss attributable to:			
– Owners of the Company		(14,521)	(19,370)
– Non-controlling interests		<u>(3,429)</u>	<u>(7,271)</u>
		<u>(17,950)</u>	<u>(26,641)</u>
Loss per share	10	HK cents	HK cents
– Basic		<u>(0.07)</u>	<u>(0.09)</u>
– Diluted		<u>(0.07)</u>	<u>(0.09)</u>

* for identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Loss for the period	<u>(17,950)</u>	<u>(26,641)</u>
Other comprehensive (expense) income:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(1,571)</u>	<u>482</u>
Other comprehensive (expense) income, net of tax	<u>(1,571)</u>	<u>482</u>
Total comprehensive expense for the period	<u>(19,521)</u>	<u>(26,159)</u>
Total comprehensive expense for the period attributable to:		
– Owners of the Company	(15,523)	(18,686)
– Non-controlling interests	<u>(3,998)</u>	<u>(7,473)</u>
	<u>(19,521)</u>	<u>(26,159)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
	Notes		
Non-current asset			
Property, plant and equipment		<u>342</u>	<u>485</u>
Current assets			
Inventories		10,787	13,021
Trade and other receivables, prepayments and deposits	11	57,713	130,358
Fixed deposits		300	300
Bank balances and cash		<u>3,864</u>	<u>28,553</u>
		<u>72,664</u>	<u>172,232</u>
Current liabilities			
Trade and other payables	12	73,459	135,776
Borrowings	13	13,158	39,056
Amounts due to the non-controlling interests of a subsidiary		<u>33,093</u>	<u>31,401</u>
		<u>119,710</u>	<u>206,233</u>
Net current liabilities		<u>(47,046)</u>	<u>(34,001)</u>
Total assets less current liabilities		<u>(46,704)</u>	<u>(33,516)</u>
Non-current liability			
Loans from ultimate holding company		<u>71,039</u>	<u>64,709</u>
Net liabilities		<u>(117,743)</u>	<u>(98,225)</u>
Capital and reserves			
Share capital		213,912	213,912
Reserves		<u>(330,571)</u>	<u>(315,048)</u>
Capital deficiency attributable to owners of the Company		(116,659)	(101,136)
Non-controlling interests		<u>(1,084)</u>	<u>2,911</u>
Capital deficiency		<u>(117,743)</u>	<u>(98,225)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the opinion of the directors of the Company, the ultimate holding company of the Company is Supreme Union Holdings Limited (“**Supreme Union**”), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Mr. Lam**”), who is the chairman of the Board of Directors and an executive director of the Company.

The Company is an investment holding company. The address of its registered office 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 condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. In addition, the functional currencies 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.

The condensed consolidated financial statements were approved for issue by the Board of Directors on 30 November 2017.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies in the Group’s audited financial statements for the year ended 31 March 2017, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2018. Details of any changes in accounting policies are set out in note 3 to the condensed consolidated financial statements.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim result announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2017.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that the Group’s total liabilities exceeded its total assets by approximately HK\$117,743,000 and capital deficiency attributable to owners of the Company amounted to approximately HK\$116,659,000 as at 30 September 2017, and the Group incurred a loss attributable to owners of the Company of approximately HK\$14,521,000 for the six months ended 30 September 2017.

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 30 September 2017, the Company has undrawn loan facilities of approximately HK\$118,961,000 granted by its ultimate holding company, Supreme Union, which is provided on a subordinated basis, i.e. Supreme Union will not demand the Company for repayment of such loans until all other liabilities of the Group had been satisfied;
- (ii) In addition to the loan facilities granted by Supreme Union as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements;

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

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values.

Application of amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant to the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle in relation to Amendments to HKFRS 12 Disclosure of Interests in Other Entities

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the following new and amendments to HKFRSs, those have been issued but are not yet effective in these condensed consolidated financial statements:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle except Amendments to HKFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies in conformity with HKFRSs, that are regularly reviewed by the executive director 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 segments

The CODM regularly reviews revenue and operating results derived from three operating divisions – sales and integration services, services income, trading of mobile and electronic components. 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
Trading of mobile and electronic components:	Revenue from trading of mobiles and electronic components

Segment revenues and results

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

Six months ended 30 September 2017 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>8,879</u>	<u>4,754</u>	<u>29,589</u>	<u>43,222</u>
Segment results	<u>(4,210)</u>	<u>(1,548)</u>	<u>124</u>	<u>(5,634)</u>
Unallocated corporate income				103
Unallocated corporate expenses				(8,976)
Finance costs				<u>(3,443)</u>
Loss before taxation				(17,950)
Taxation				<u>–</u>
Loss for the period				<u><u>(17,950)</u></u>

Six months ended 30 September 2016 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
External sales	<u>9,515</u>	<u>20,579</u>	<u>–</u>	<u>30,094</u>
Segment results	<u>(5,776)</u>	<u>(8,941)</u>	<u>–</u>	<u>(14,717)</u>
Unallocated corporate income				840
Unallocated corporate expenses				(10,138)
Finance costs				<u>(2,626)</u>
Loss before taxation				(26,641)
Taxation				<u>–</u>
Loss for the period				<u><u>(26,641)</u></u>

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

Segment assets and liabilities

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

At 30 September 2017 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	41,226	22,069	5,323	68,618
Unallocated assets				<u>4,388</u>
Consolidated assets				<u><u>73,006</u></u>
Segment liabilities	59,516	31,859	3,949	95,324
Unallocated liabilities				<u>95,425</u>
Consolidated liabilities				<u><u>190,749</u></u>

At 31 March 2017 (audited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	59,217	85,414	22,270	166,901
Unallocated assets				<u>5,816</u>
Consolidated assets				<u><u>172,717</u></u>
Segment liabilities	69,138	99,724	21,023	189,885
Unallocated liabilities				<u>81,057</u>
Consolidated liabilities				<u><u>270,942</u></u>

Other information

Six months ended 30 September 2017 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	56	30	–	62	148
Allowance for bad and doubtful debts	699	374	–	–	1,073
Impairment loss of other receivables	<u>220</u>	<u>118</u>	<u>–</u>	<u>–</u>	<u>338</u>

Six months ended 30 September 2016 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	Trading of mobile and electronic components <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	48	103	–	155	306
Allowance for bad and doubtful debts	451	976	–	–	1,427
Impairment loss of other receivables	<u>31</u>	<u>66</u>	<u>–</u>	<u>–</u>	<u>97</u>

Geographical segments

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

Six months ended 30 September 2017 (unaudited)

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>29,589</u>	<u>13,633</u>	<u>43,222</u>

Six months ended 30 September 2016 (unaudited)

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>–</u>	<u>30,094</u>	<u>30,094</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	Unaudited	Audited	Unaudited	Audited
	HK'000	HK'000	HK'000	HK'000
Hong Kong	9,380	27,882	–	–
The PRC, excluding Hong Kong	63,626	144,835	–	11
	<u>73,006</u>	<u>172,717</u>	<u>–</u>	<u>11</u>
5. OTHER INCOME				
	Six months ended 30 September		Six months ended 30 September	
	2017		2016	
	Unaudited		Unaudited	
	HK\$'000		HK\$'000	
Bank interest income	20	65		
Sundry income	83	775		
	<u>103</u>	<u>840</u>		
6. FINANCE COSTS				
	Six months ended 30 September		Six months ended 30 September	
	2017		2016	
	Unaudited		Unaudited	
	HK\$'000		HK\$'000	
Interests paid/payable to:				
– ultimate holding company	2,119	1,666		
– the non-controlling interests of a subsidiary	656	750		
– independent third parties	668	153		
– a director of a subsidiary	–	57		
	<u>3,443</u>	<u>2,626</u>		
7. TAXATION				
	Six months ended 30 September		Six months ended 30 September	
	2017		2016	
	Unaudited		Unaudited	
	HK\$'000		HK\$'000	
Current tax – PRC Enterprise Income Tax	–	–		
Current tax – Hong Kong Profits Tax	–	–		
	<u>–</u>	<u>–</u>		

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits in Hong Kong for the six months ended 30 September 2017 and 2016.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 September 2016: 25%). No provision for PRC Enterprise Income Tax had been made as the Group did not generate any assessable profits in the PRC for the six months ended 30 September 2017 and 2016.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams of the Group.

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Allowance for bad and doubtful debts	1,073	1,427
Depreciation on property, plant and equipment	148	306
Staff costs (including directors' emoluments)	3,792	16,158
Impairment loss of other receivables	338	97
	<u>5,351</u>	<u>18,088</u>
And after crediting:		
Bank interest income	20	65
Gain on disposal of property, plant and equipment	–	100
	<u>20</u>	<u>165</u>

9. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2017 was based on the Group's loss attributable to owners of the Company of approximately HK\$14,521,000 (six months ended 30 September 2016: approximately HK\$19,370,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2016: 21,391,162,483 ordinary shares) in issue at the end of the reporting period.

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 diluted loss per share for the six months ended 30 September 2017 and 2016 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 six months ended 30 September 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Trade receivables	63,680	148,722
Less: Allowance for bad and doubtful debts	(37,014)	(35,941)
	<u>26,666</u>	<u>112,781</u>
Other receivables	5,586	1,530
Prepayments	24,267	15,166
Deposits	<u>1,194</u>	<u>881</u>
	<u>31,047</u>	<u>17,577</u>
Total	<u><u>57,713</u></u>	<u><u>130,358</u></u>

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

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Trade receivables		
0-90 days	11,573	58,770
91-180 days	1,176	3,533
Over 180 days	<u>13,917</u>	<u>50,478</u>
	<u><u>26,666</u></u>	<u><u>112,781</u></u>

Movements in the allowance for bad and doubtful debts:

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Balance at beginning of the period/year	35,941	33,807
Allowance recognised on receivables	<u>1,073</u>	<u>2,134</u>
Balance at end of the period/year	<u><u>37,014</u></u>	<u><u>35,941</u></u>

As at 30 September 2017, trade receivables of approximately HK\$6,542,000 (31 March 2017: approximately HK\$34,655,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and/or 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:

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
0-90 days	6,439	27,493
91-180 days	103	7,162
Over 180 days	—	—
	<u>6,542</u>	<u>34,655</u>

The directors consider that the carrying amounts of trade and other receivables, prepayments and deposits approximate their fair values.

12. 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:

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Trade payables (<i>note i</i>)		
0-90 days	13,473	36,987
91-180 days	6,421	20,504
Over 180 days	20,544	42,127
	<u>40,438</u>	<u>99,618</u>
Other payables		
Receipt in advance	—	3,381
Accruals and others	33,021	32,777
	<u>33,021</u>	<u>36,158</u>
Total	<u>73,459</u>	<u>135,776</u>

Note:

- (i) At 30 September 2017, trade payables of RMB8,795,000 (approximately HK\$10,325,000) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited (“**Beijing HollyBridge**”). Please refer to note 15 (ii) to the condensed consolidated financial statements.

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

The directors consider the carrying amounts of trade and other payables approximate to their fair values.

13. BORROWINGS

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Loans from independent third parties	13,158	37,237
Loan from a director of a subsidiary	—	1,819
	<u>13,158</u>	<u>39,056</u>

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

14. COMMITMENTS

(i) Operating lease commitments

The Group as lessee

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

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Within one year	1,392	1,686
In the second to fifth years, inclusive	—	—
	<u>1,392</u>	<u>1,686</u>

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

(ii) Capital commitments

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Contracted but not provided for in the financial statements in respect of intangible assets	<u>4,755</u>	<u>4,832</u>

15. LITIGATION AND CONTINGENT LIABILITIES

(i) **RMB24,000,000 (approximately HK\$28,176,000) 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 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 bearing 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 of the above civil claim that the Company should repay the principal amount of borrowings of RMB24,000,000 to Non-controlling Shareholder. Beijing HollyBridge has 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 issued on 31 October 2017, the appeal was repudiated and the repayment of borrowings is required. Beijing HollyBridge has applied for an appeal to Beijing Higher People’s Court in November 2017.

The proceedings are ongoing up to the date of issuance of these condensed consolidated financial statements and the outcome is subject to uncertainties. The directors of the Company consider that no provision is required at this stage of the proceedings as the principal and interest during the period have already been recorded as liability in the condensed consolidated financial statements. There might be additional interest and related legal costs incurred, but the amount is not expected to be material.

(ii) **Litigations/Mediations with suppliers**

As at 30 September 2017, trade payables in the amount of RMB8,795,000 (approximately HK\$10,325,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,321,000 (approximately HK\$1,551,000). The main reason for the delay in payment was due to personnel changes in Beijing HollyBridge and the new management needs some time to clarify the validity of the trade payables before settlement.

At 30 September 2017, bank balances of Beijing HollyBridge amounted to RMB974,000 (approximately HK\$1,144,000) was frozen by the court pursuant to the aforesaid suppliers’ claims.

The directors are of the view that the litigations/mediations have no significant impact on the Group’s financial position and its operating result for the six months ended 30 September 2017 as all the above payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2017.

(iii) **Deposit refund of RMB5,817,000 (approximately HK\$6,829,000)**

During the year ended 31 March 2017, an arbitral claim against a subsidiary of the Company, Holy (Hong Kong) Universal Limited (the “**Holy (Hong Kong)**”) was filed for refund of a management deposit of RMB5,817,000 by the Non-controlling Shareholder. The deposit originated from a management agreement made between Holy (Hong Kong), Non-controlling Shareholder and other parties. On the same day when the management agreement was signed, the rights and obligations of the deposit was transferred to an independent third party (the “**Assignee**”) according to legal rights assignment (the “**Assignment Agreement**”) entered into between Holy (Hong Kong) and 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 obligations under the management agreement. As the Assignee has not made the payment yet and as a result of Holy (Hong Kong)’s 51% of the equity interests in Beijing HollyBridge has been frozen.

The Group is sorting out legal actions to be taken and the proceedings are ongoing up to the date of issuance of these condensed consolidated financial statements. In the opinion of the directors of the Company, in case when the Assignee defaults to repay, Holy (Hong Kong) may be obligated to make the deposit refund.

Having sought 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 condensed consolidated financial statements.

16. EVENTS AFTER THE REPORTING PERIOD

- (i) On 1 September 2017, Wealth International Inc. Limited (a non-wholly owned subsidiary of the Company), as purchaser, and the vendors entered into an equity transfer agreements for the acquisition of 99% of equity interest in the target company (Shenzhen Qian Hai Logistic Commercial Trading Company Limited). Upon the completion of the transaction, the Company will indirectly have 60% interest in the target company. Pursuant to the agreements, the total capital commitment by the target company is RMB5,000,000 (equivalent to approximately HK\$5,870,000), and the parties entered into the agreements have capital commitment on a pro-rata basis. The Company's capital commitment is RMB3,000,000 (equivalent to approximately HK\$3,522,000) and will be financed by internal resources.

The target company is principally engaged in the e-commerce business in PRC, through the provision of an internet platform for the merchants and customers for sales and purchases of daily necessities, cosmetics, electrical and electronic products, commercial and industrial materials and equipment, etc.

The details of the proposed acquisition were disclosed in the announcement of the Company dated 3 September 2017. At the date of issuance of these condensed consolidated financial statements, the acquisition has not been completed subject to fulfillment of certain terms and conditions.

- (ii) On 25 October 2017, the Company, Holy Profit Limited (a direct wholly owned subsidiary of the Company) (as purchaser) and vendors, entered into an equity transfer agreement pursuant to which Holy Profit Limited has conditionally agreed to acquire and the vendors has conditionally agreed to sell an aggregate of 100% of equity interest in the target company (Insight Technology International Investment Group Limited), for the consideration of HK\$100 million, and shall be paid by the Company to the vendors by way of the issue and allotment of 1,000 million consideration shares at the issue price of approximately HK\$0.10 per consideration shares to the vendors. The acquisition constitutes a connected transaction of the Company under Chapter 14A Connected Transaction of the Listing Rules. More details of the proposed acquisition can be found in the announcement of the Company dated 25 October 2017. Up to the date of issuance of these condensed consolidated financial statements, the acquisition is not completed.

SUMMARY OF THE REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is extracted from the report on review of condensed consolidated financial statements with modification:

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

The accompanying condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to the condensed consolidated financial statements which indicate that, the Group's total liabilities exceeded its total assets by approximately HK\$117,743,000 and the Group's capital deficiency attributable to owners of the Company was approximately HK\$116,659,000 as at 30 September 2017 and the Group incurred a loss attributable to owners of the Company of approximately HK\$14,521,000 for the six months ended 30 September 2017. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the condensed consolidated financial statements, these condensed consolidated financial statements have been prepared on a going concern basis.

We also draw attention to note 25 to the condensed consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group. Our review conclusion is not qualified in respect of these matters.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

The board of directors of Wai Chun Group Holdings Limited hereby presents the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016.

For the six months ended 30 September 2017, the Group recorded a turnover of approximately HK\$43,222,000 (six months ended 30 September 2016 approximately HK\$30,094,000), representing an increase of 43.6% as compared with the corresponding period last year. The growth in turnover was attributable to an increase in the sales of mobile and electronic components. The Group recorded a gross profit and gross profit margin of approximately HK\$2,922,000 and 6.8% respectively for the six months ended 30 September 2017, representing decreases of approximately HK\$4,665,000 and decrease of 18.4% respectively as compared with the gross profit of approximately HK\$7,587,000 and the gross margin of 25.2% for the corresponding period last year. The decrease in gross margin was due to the low gross profit margin of the mobile and electronic components business, despite the gross profit margin on sales and integration services and services income were similar with last corresponding period.

Selling and distribution expenses recorded a decrease of 81.8% mainly in line with the drop in turnover of Beijing HollyBridge and as a result various cost control measures from approximately HK\$13,824,000 for the six months ended 30 September 2016 to approximately HK\$2,520,000 for the corresponding period this year. Administrative expenses decreased by 16.1% from approximately HK\$17,170,000 for six months ended 30 September 2016 to approximately HK\$14,413,000 for the corresponding period this year.

Loss attributable to owners of the Company amounted to approximately HK\$14,521,000, representing a decrease of approximately HK\$4,849,000 as compared with the loss of approximately HK\$19,370,000 for the corresponding period last year.

Business Review and Future Prospects

The Group is principally engaged in (i) trading of mobile and electronic components; (ii) network and system integration by the production of software and provision of solutions and related services; (iii) investment holdings; and (iv) provision of telecommunications infrastructure solution services. Through the operations of Plus Communication Limited and Beijing HollyBridge, the major subsidiaries of the Group, the Group has engaged in trading of mobile and electronic components and provided one stop solution, including hardware and system modification for the customers. The management continued to devote its effort to enhance the operational efficiency of Beijing HollyBridge, and during the interim period, service contracts entered into with various customers such as banks, governmental agencies and public transportation companies amounted to approximately RMB36 million.

Due to increase in demand for mobile and electronic components, the interim turnover was increased. However, the turnover of Beijing HollyBridge was reduced by 54.7% due to the decline in the numbers of signed contracts as a result of keen local market competition. The management is trying its best to maintain the sales growth in the second half of the year.

As announced on 9 June 2017, the Company, Trend Access Limited (a direct wholly owned subsidiary of the Company) (as purchaser) and Hodgson Technologies Limited (the “Vendor”), entered into an equity transfer agreement pursuant to which Trend Access Limited has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 51% of equity interest in the target company (Yueyang Kaida Kewang Motor Vehicle Parts Manufacturing Limited), for the consideration of RMB7,500,000 (equivalent to approximately HK\$8,400,000), and shall be paid by the Company to the Vendor by way of the issue and allotment of 84 million consideration shares at the issue price of approximately HK\$0.10 per consideration shares to the Vendor. Given that the overall motor vehicle market in PRC is growing steadily in the past few years, the Board is optimistic about the prospect of the China motor vehicle parts manufacturing and would like to identify investment opportunities in the China motor vehicle parts manufacturing market. The proposed acquisition constitutes a major transaction of the Company. More details of the proposed acquisition can be found on the announcements of the Company dated 30 June 2017, 31 July 2017 and 31 October 2017.

Moreover, on 1 September 2017, Wealth International Inc. Limited (a non-wholly owned subsidiary of the Company), as purchaser, and the vendors entered into an equity transfer agreements for the acquisition of 99% of equity interest in the target company (Shenzhen Qian Hai Logistic Commercial Trading Company Limited). Upon the completion of the transaction, the Company will indirectly have 60% interest in the target company. The target company is principally engaged in the e-commerce business in PRC, through the provision of an internet platform for the merchants and customers for sales and purchases of daily necessities, cosmetics, electrical and electronic products, commercial and industrial materials and equipment, etc. The details of the proposed acquisition were disclosed in the announcement of the Company dated 3 September 2017. At the date of this announcement, the acquisition has not been completed subject to fulfillment of certain terms and conditions.

On 25 October 2017, the Company, Holy Profit Limited (a direct wholly owned subsidiary of the Company) (as purchaser) and vendors, entered into an equity transfer agreement pursuant to which Holy Profit Limited has conditionally agreed to acquire and the vendors has conditionally agreed to sell an aggregate of 100% of equity interest in the target company (Insight Technology International Investment Group Limited), for the consideration of HK\$100 million, and shall be paid by the Company to the vendors by way of the issue and allotment of 1,000 million consideration shares at the issue price of approximately HK\$0.10 per consideration shares to the vendors. The acquisition constitutes a discloseable and connected transaction of the Company. More details of the proposed acquisition can be found in the announcement of the Company dated 25 October 2017 and 15 November 2017. At the date of this announcement, the acquisition is not completed.

The Company will continue to actively identifying projects with growth potential for acquisition or investment and has been in discussions with various independent third parties for such acquisition or investment.

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

Financial Resources and Liquidity

Total debts of the Group amounted to approximately HK\$117,290,000 (31 March 2017: approximately HK\$135,166,000), comprising loans from ultimate holding company of approximately HK\$71,039,000 (31 March 2017: approximately HK\$64,709,000), amounts due to the non-controlling interests of a subsidiary of approximately HK\$33,093,000 (31 March 2017: approximately HK\$31,401,000) and other borrowing of approximately HK\$13,158,000 (31 March 2017: approximately HK\$39,056,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing. The Group had no assets pledged as at 30 September 2017. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 155.0% (31 March 2017: approximately 61.6%), representing an increase of approximately 93.4% as compared to last financial year end date. The current ratio of the Group was approximately 0.61 (31 March 2017: approximately 0.84). Cash and cash equivalents of approximately HK\$4,164,000 (31 March 2017: approximately HK\$28,853,000) which are mostly denominated in Hong Kong Dollars and Renminbi. As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks.

In view of the liquidity issues of the Group, 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.

Litigation 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 condensed consolidated financial statements.

For the litigations referred in note 15(i) & (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 period ended 30 September 2017 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2017. 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\$6,829,000) 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 condensed consolidated financial statements accordingly.

Events After Reporting Period

Save as disclosed in note 16, the Group had no other material events after the reporting period.

INTERIM DIVIDEND

The board resolved not to declare an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2017.

CORPORATE GOVERNANCE

During the six months ended 30 September 2017, the Company complied with all the relevant code provisions as set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except for the deviation from code provisions A.2.1 and A.4.1.

Code provision A.2.1 provides that 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 are ensured by the operation of the Board which comprises 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.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") 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. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget) and the internal control procedures.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. To Yan Ming, Edmond (chairman), Mr. Ko Ming Tung, Edward and Mr. Shaw Lut, Leonardo. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2017. The Group's external auditor, HLM CPA Limited, has carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 September 2017 is published on both the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.1013.hk). The interim report of the Company for the six months ended 30 September 2017 containing all the information as required in Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. 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 November 2017

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

Executive Director:

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

Independent Non-executive Directors:

KO Ming Tung, Edward

SHAW Lut, Leonardo

TO Yan Ming, Edmond