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 2019

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 2019 together with the comparative figures for the corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

	Notes	**2019** **Unaudited** ***HK$'000***	2018 Unaudited *HK$'000*
Revenue	*4*	**81,795**	109,880
Cost of sales		**(79,128)**	(108,496)
Gross profit		**2,667**	1,384
Other income	*5*	**154**	282
Other gains and losses		**(507)**	(8)
Impairment losses on trade receivables, net of reversal		**(231)**	(2,975)
(Impairment losses) reversal of impairment losses on other receivables		**(271)**	505
Reversal of impairment loss on contract assets		**283**	–
Selling and distribution expenses		**–**	(19)
Administrative expenses		**(9,583)**	(11,433)
Finance costs	*6*	**(4,475)**	(3,606)
Loss before taxation		**(11,963)**	(15,870)
Taxation	*7*	**–**	–
Loss for the period	*8*	**(11,963)**	(15,870)
(Loss) profit attributable to:			
– Owners of the Company		**(12,639)**	(13,657)
– Non-controlling interests		**676**	(2,213)
		(11,963)	(15,870)
Loss per share	*10*	***HK cents***	*HK cents*
– Basic		**(0.059)**	(0.064)
– Diluted		**(0.059)**	(0.064)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	2019 Unaudited *HK$'000*	2018 Unaudited *HK$'000*
Loss for the period	**(11,963)**	(15,870)
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**1,559**	2,965
Other comprehensive income, net of tax	**1,559**	2,965
Total comprehensive expense for the period	**(10,404)**	(12,905)
Total comprehensive (expense) income for the period attributable to:		
– Owners of the Company	**(12,600)**	(12,786)
– Non-controlling interests	**2,196**	(119)
	(10,404)	(12,905)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 Unaudited *HK$'000*	31 March 2019 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**3,099**	2,769
Right-of-use assets		**9,552**	–
		12,651	2,769
Current assets			
Inventories		**3,605**	5,108
Trade and other receivables, prepayments and deposits	*11*	**82,308**	64,323
Contract assets		**–**	5,733
Fixed deposits		**300**	300
Bank balances and cash		**7,541**	32,651
		93,754	108,115
Current liabilities			
Trade and other payables	*12*	**114,214**	97,308
Contract liabilities		**8,364**	3,402
Borrowing	*13*	**5,484**	32,142
Lease liabilities		**3,699**	–
Amount due to a director		**632**	537
Amount due to the non-controlling interests of a subsidiary		**33,420**	34,971
		165,813	168,360
Net current liabilities		**(72,059)**	(60,245)
Total assets less current liabilities		**(59,408)**	(57,476)
Non-current liabilities			
Loans from ultimate holding company		**115,065**	112,592
Lease liabilities		**5,999**	–
		121,064	112,592
Net liabilities		**(180,472)**	(170,068)
Capital and reserves			
Share capital		**213,912**	213,912
Reserves		**(390,403)**	(377,803)
Capital deficiency attributable to owners of the Company		**(176,491)**	(163,891)
Non-controlling interests		**(3,981)**	(6,177)
Capital deficiency		**(180,472)**	(170,068)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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**"). At 30 September 2019, the directors consider that the immediate holding company of the Company to be Ka Chun Holdings Limited, which is incorporated in the British Virgin Islands and controlled by the ultimate holding company of the Company, 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. On 4 November 2019, Supreme Union transferred its holding of 100% issued share capital of Ka Chun Holdings Limited to Wai Chun Investment Fund, which is a private limited company incorporated in the Cayman Islands and also controlled by Mr. Lam. After completion of the transfer, Wai Chun Investment Fund becomes the ultimate holding company of the Company. The transaction is subject to the approval to be obtained from the Stock Exchange.

The Company is an investment holding 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 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 21 November 2019.

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 2019, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2020. Details of any changes in accounting policies are set out in note 3 to this announcement.

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 for the understanding of the changes in financial position and performance of the Group since the 2019 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 2019.

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$180,472,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$176,491,000 as at 30 September 2019, and the Group incurred a loss attributable to owners of the Company of approximately HK$12,639,000 for the six months ended 30 September 2019.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the followings:

(i) As at 30 September 2019, the Company has drawn down loans of approximately HK$115,065,000 and undrawn loan facilities of approximately HK$74,935,000 granted by its ultimate holding company, Supreme Union, which are provided on a subordinated basis. Supreme Union will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until all other liabilities of the Group had been satisfied. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by the previous ultimate holding company, Supreme Union, were assigned to Wai Chun Investment Fund under the same terms and conditions. Wai Chun Investment Fund became the ultimate holding company of the Company as referred to in note 16 to this announcement.

(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 in the foreseeable future up to 3 November 2019. On 4 November 2019, Wai Chun Investment Fund and ultimate controlling party have also undertaken to provide sufficient financial support to allow the Group to meet in full its future financial obligations when they fall due in the foreseeable future 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. Also, the ultimate controlling party and his spouse agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable amounting to approximately HK$39,569,000 until all other third parties liabilities of the Group had been satisfied.

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

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

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of the 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.

Other than changes in accounting policies resulting from application of the new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA, which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3.2 Transition and summary of effects arising from initial application of HKFRS 16

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK$11,462,000 and right-of-use assets of approximately HK$11,462,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 6.25%.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	15,186
Lease liabilities discounted at relevant incremental borrowing rates	14,049
Less: Recognition exemption – short-term leases	(2,587)
Lease liabilities recognised as at 1 April 2019	11,462
Analysed as:	
Current lease liabilities	3,585
Non-current lease liabilities	7,877
	11,462

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases and finance leases, the Group recognised approximately HK$9,552,000 of right-of-use assets and approximately HK$9,698,000 of lease liabilities as at 30 September 2019.

Also, in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 September 2019, the Group recognised approximately HK$1,910,000 of depreciation charges and approximately HK$336,000 of finance costs from these leases.

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective in this interim financial statements:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[4]
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 1 and HKAS 8	Definition of Material[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any 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, 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 and chemicals

Segment revenues and results

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

Six months ended 30 September 2019 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Recognised at a point in time	**–**	**–**	**39,326**	**39,326**
Recognised over time	**39,661**	**2,808**	**–**	**42,469**
Reportable segment revenue from external customers	**39,661**	**2,808**	**39,326**	**81,795**
Reportable segment results	**1,671**	**356**	**(632)**	**1,395**
Unallocated corporate income				**154**
Unallocated corporate expenses				**(9,037)**
Finance costs				**(4,475)**
Loss before taxation				**(11,963)**
Taxation				**–**
Loss for the period				**(11,963)**

Six months ended 30 September 2018 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Recognised at a point in time	–	–	96,068	96,068
Recognised over time	11,695	2,117	–	13,812
Reportable segment revenue from external customers	11,695	2,117	96,068	109,880
Reportable segment results	(3,708)	218	(260)	(3,750)
Unallocated corporate income				282
Unallocated corporate expenses				(8,796)
Finance costs				(3,606)
Loss before taxation				(15,870)
Taxation				–
Loss for the period				(15,870)

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 2019 (unaudited)

	Sales and integration services	**Services income**	**General trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**50,919**	**3,605**	**36,439**	**90,963**
Unallocated assets				**15,442**
Consolidated assets				**106,405**
Segment liabilities	**102,397**	**7,250**	**10,851**	**120,498**
Unallocated liabilities				**166,379**
Consolidated liabilities				**286,877**

At 31 March 2019 (audited)

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

Other information

Six months ended 30 September 2019 (unaudited)

	Sales and integration services *HK$'000*	**Services income** *HK$'000*	**General trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Addition to property, plant and equipment	**–**	**–**	**–**	**810**	**810**
Depreciation on property, plant and equipment	**2**	**–**	**–**	**475**	**477**
Depreciation on right-of-use assets	**–**	**–**	**–**	**1,910**	**1,910**
Gain on disposal of property, plant and equipment	**–**	**–**	**–**	**17**	**17**
Impairment losses on trade receivables	**216**	**15**	**–**	**–**	**231**
Impairment losses on other receivables	**253**	**18**	**–**	**–**	**271**
Reversal of impairment loss on contract assets	**–**	**(283)**	**–**	**–**	**(283)**

Six months ended 30 September 2018 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to property, plant and equipment	–	–	–	10	10
Depreciation on property, plant and equipment	3	1	18	395	417
Impairment losses on trade receivables	2,744	231	–	–	2,975
Reversal of impairment losses on other receivables	(465)	(40)	–	–	(505)

Geographical segments

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

Six months ended 30 September 2019 (unaudited)

	Hong Kong	**The PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue	**4,216**	**77,579**	**81,795**

Six months ended 30 September 2018 (unaudited)

	Hong Kong	The PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	19,464	90,416	109,880

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 2019	31 March 2019	**30 September 2019**	31 March 2019
	Unaudited	Audited	**Unaudited**	Audited
	HK'000	*HK'000*	***HK'000***	*HK'000*
Hong Kong	**4,426**	22,870	**810**	10
The PRC, excluding Hong Kong	**86,537**	79,627	**–**	–
	90,963	102,497	**810**	10

5. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Bank interest income	**3**	7
Sundry income	**–**	115
Other interest income	**151**	160
	154	282

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interests payable to:		
– ultimate holding company	**3,492**	2,911
– the non-controlling interests of a subsidiary	**647**	681
– independent third party	**–**	14
Interest on lease liabilities	**336**	–
	4,475	3,606

7. TAXATION

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax	**–**	–
	–	–

The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements.

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 2019 and 2018.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. No provision for PRC Enterprise Income Tax had been made as the Group has unused tax losses for offsetting against assessable profits in the PRC for the six months ended 30 September 2019. No provision for PRC Enterprise Income Tax had been made as the Group had no assessable profit in the PRC for the six months ended 30 September 2018.

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	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Impairment losses on trade receivables	**231**	2,975
Depreciation on property, plant and equipment	**477**	417
Depreciation on right-of-use assets	**1,910**	–
Staff costs (including directors' emoluments)	**2,278**	2,199
Impairment losses on other receivables	**271**	–
And after crediting:		
Bank interest income	**3**	7
Reversal of impairment losses on other receivables	**–**	505
Reversal of impairment loss on contract assets	**283**	–
Gain on disposal of property, plant and equipment	**17**	–

9. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2019 was based on the Group's loss attributable to owners of the Company of approximately HK$12,639,000 (six months ended 30 September 2018: approximately HK$13,657,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2018: 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 2019 and 2018 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 September 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration services, and services 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 general trading of mobiles and electronic components and chemicals are within 30-90 days from the date of billing.

	30 September 2019 Unaudited ***HK$'000***	31 March 2019 Audited *HK$'000*
Trade receivables	**97,330**	82,727
Less: Impairment allowance	**(48,615)**	(51,598)
	48,715	31,129
Other receivables	**4,573**	11,327
Prepayments	**28,358**	21,205
Deposits	**662**	662
	33,593	33,194
Total	**82,308**	64,323

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 services/date of invoices:

	30 September 2019 Unaudited ***HK$'000***	31 March 2019 Audited *HK$'000*
Trade receivables		
0-90 days	**48,496**	23,779
91-180 days	**210**	7,341
Over 180 days	**9**	9
	48,715	31,129

The Group assessed credit impaired balances individually. In addition, for non-credit impaired balances, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL, trade receivables are assessed individually for debtors with significant balances and collectively using a provision matrix for the remaining balances, which is grouped based on shared credit risk characteristics and the historical observed default rates adjusted for forward-looking estimates that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Movements in the impairment allowance on trade receivables:

	30 September 2019	31 March 2019
	Unaudited	Audited
	HK$'000	*HK$'000*
Balance at beginning of the period/year (as previously recorded)	**51,598**	46,729
Effect of adoption of HKFRS 9 on 1 April 2018	**–**	1,217
Balance at beginning of the period/year (as restated)	**51,598**	47,946
Allowance recognised on receivables	**1,144**	9,041
Foreign currency exchange differences	**(3,214)**	(3,034)
Reversal of impairment losses	**(913)**	(2,355)
Balance at end of the period/year	**48,615**	51,598

As at 30 September 2019, trade receivables of approximately HK$219,000 (31 March 2019: approximately HK$7,350,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and/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 2019	31 March 2019
	Unaudited	Audited
	HK$'000	*HK$'000*
0-90 days	**210**	7,341
91-180 days	**9**	9
Over 180 days	**–**	–
	219	7,350

12. TRADE AND OTHER PAYABLES

The average credit period on purchases ranged from 60 to 180 days. 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 2019	31 March 2019
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade payables *(note i)*		
0-90 days	**46,001**	26,991
91-180 days	**431**	5,848
Over 180 days	**19,354**	20,640
	65,786	53,479
Other payables		
Accruals and others *(note ii)*	**48,428**	43,829
Total	**114,214**	97,308

Notes:

(i) At 30 September 2019, trade payables of RMB8,132,000 (approximately HK$8,919,000) (31 March 2019: RMB8,132,000 (approximately: HK$8,464,000)) involved lawsuits filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"). Please refer to note 15(ii).

(ii) The other payables, mainly consist of approximately HK$33,359,000 (31 March 2019: HK$29,479,000) for the accrued rental expenses for offices in Hong Kong and the PRC, HK$7,028,000 (31 March 2019: HK$6,512,000) for the accrued salaries in Hong Kong and the PRC, HK$3,058,000 (31 March 2019: HK$3,338,000) for the VAT tax payables in the PRC, and approximately HK$1,587,000 (31 March 2019: HK$1,691,000) for accrued legal and professional expenses.

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

13. BORROWING

	30 September 2019 Unaudited *HK$'000*	31 March 2019 Audited *HK$'000*
Interest-free borrowing *(note i)*	**5,484**	32,142
	5,484	32,142

Note:

(i) The amount is unsecured and repayable within one month. Subsequent to 30 September 2019, the borrowing was fully settled.

14. COMMITMENTS

Operating lease commitments

The Group as lessee

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

	30 September 2019 Unaudited *HK$'000*	31 March 2019 Audited *HK$'000*
Within one year	**551**	6,748
In the second to fifth years, inclusive	**–**	8,438
	551	15,186

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.

15. LITIGATION AND CONTINGENT LIABILITIES

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

The non-controlling shareholder of Beijing HollyBridge (the "**Non-controlling Shareholder**") had advanced RMB24,000,000 (approximately HK$26,332,000) to Beijing HollyBridge during the period from June 2013 to February 2015. The amount due has been recognised as liability in the condensed 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 the Non-controlling Shareholder. Beijing HollyBridge applied for an appeal to Beijing First Intermediate People's Court on 15 May 2017. According to the judgement of the Beijing First Intermediate People's Court dated on 31 October 2017, the appeal was repudiated and repayment of the borrowings was ordered. Further to the judgement, Haidian District People's Court of Beijing issued an execution judgement which provided the conclusion of the execution procedure of the above mentioned case in accordance with the law of the PRC.

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

(ii) Litigations/Mediations with suppliers

As at 30 September 2019, trade payables in the amount of RMB8,132,000 (approximately HK$8,919,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,271,000 (approximately HK$1,394,000).

At 30 September 2019, bank balances of Beijing HollyBridge amounting to RMB794,000 (approximately HK$873,000) were frozen by the court pursuant to the aforesaid suppliers' claims.

The directors of the Company are of the view that the litigations/mediations have no significant impact on the Group's financial position and its operating result for the six months ended 30 September 2019 as all the above payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2019.

(iii) Deposit refund of RMB5,817,000

During the year ended 31 March 2017, an arbitral claim against a subsidiary of the Company, Holy (Hong Kong) Universal Limited (the "**Holy (Hong Kong)**") was filed for refund of a management deposit of RMB5,817,000 (approximately HK$6,380,000) 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 the Assignee. According to the Assignment Agreement, the Assignee would take custody of the deposit and is liable for the repayment of deposit on demand on completion of the obligations under the management agreement. The Assignee has not made the payment as required and as a result Holy (Hong Kong)'s 51% of the equity interests in Beijing HollyBridge has been frozen. In the opinion of the directors of the Company, in case when the Assignee defaults to repay, Holy (Hong Kong) may be obligated to make the deposit refund and able to take legal action against the Assignee.

Having sought advices from PRC legal counsel, the frozen equity interest by the court will have no effect on Beijing HollyBridge's operations, decision making and distribution of profit. The directors of the Company believe that the above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the condensed consolidated financial statements.

16. EVENT AFTER THE REPORTING PERIOD

On 4 November 2019, Supreme Union transferred its holding of 100% issued share capital of Ka Chun Holdings Limited to Wai Chun Investment Fund, which is a private limited company incorporated in the Cayman Islands and also controlled by Mr. Lam. After completion of the transfer, Wai Chun Investment Fund becomes the ultimate holding company of the Company. On the same date, Wai Chun Investment Fund and Supreme Union Holdings Limited entered into an assignment of loan agreement, the outstanding loan amount and loan facilities from Supreme Union were assigned to Wai Chun Investment Fund under the same terms and condition. The transaction is subject to the approval to be obtained from the Stock Exchange.

SUMMARY OF THE REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is extracted from the report of auditors on review of the unaudited 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 2019 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$180,472,000 and the Group's capital deficiency attributable to owners of the Company was approximately HK$176,491,000 as at 30 September 2019 and the Group incurred a loss attributable to owners of the Company of approximately HK$12,639,000 for the six months ended 30 September 2019. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the condensed consolidated financial statements, these condensed consolidated financial statements have been prepared on a going concern basis.

We also draw attention to note 28 to the condensed consolidated financial statements which describes the litigation and contingent liabilities of 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 2019 together with the comparative figures for the corresponding period in 2018.

For the six months ended 30 September 2019, the Group recorded a turnover of approximately HK$81,795,000 (six months ended 30 September 2018: approximately HK$109,880,000), representing an decrease of 26% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK$2,667,000 and 3.3% respectively for the six months ended 30 September 2019, representing an increase of approximately HK$1,283,000 and an increase of 93% respectively as compared with the gross profit of approximately HK$1,384,000 and the gross margin of 1.3% for the corresponding period last year. The increase in gross margin was due to the high gross profit margin of the sales and integration services business, despite the gross profit margin on services income was similar to that of the same period last year.

Administrative expenses decreased by 16% to approximately HK$9,583,000 for the six months ended 30 September 2019 from approximately HK$11,433,000 for the corresponding period last year.

Loss attributable to owners of the Company amounted to approximately HK$12,639,000, representing a decrease of approximately HK$1,018,000 or 7.45% as compared with the loss of approximately HK$13,657,000 for the corresponding period last year.

Business Review and Future Prospects

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

During the period under review, the management continued to devote its effort to enhance the operational efficiency of the sales and integration services and services income segment through stringent project selection and tighten cost control measures. As a result, the business from provision of integration services of computer and communication system and the business of design, consultation and production of information system software recorded segment profits of approximately HK$1,671,000 and HK$356,000 respectively (six months ended 30 September 2018: Segment loss of approximately HK$3,708,000 and segment profits of approximately HK$218,000).

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

The Company has been actively identifying projects with growth potential for acquisition or investment and has been in discussions with various independent third parties for such acquisition or investment. Meanwhile, the Company intends to enrich and improve its financial resources by conducting fund raising exercises such as share placement or loan capitalisation, when necessary.

Financial Resources and Liquidity

Total debts of the Group amounted to approximately HK$154,601,000 (31 March 2019: approximately HK$180,242,000), comprising loans from ultimate holding company of approximately HK$115,065,000 (31 March 2019: approximately HK$112,592,000), amounts due to the non-controlling interests of a subsidiary of approximately HK$33,420,000 (31 March 2019: approximately HK$34,971,000), amount due to a director of approximately HK$632,000 (31 March 2019: approximately HK$537,000) and other borrowing of approximately HK$5,484,000 (31 March 2019: approximately HK$32,142,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except for other borrowing, the remaining borrowings are interest bearing. The Group had no assets pledged as at 30 September 2019. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 139% (31 March 2019: approximately 133.7%), representing an increase of approximately 5.3% as compared to last financial year end date. The current ratio of the Group was approximately 0.57 times (31 March 2019: approximately 0.64 times). Cash and cash equivalents of approximately HK$6,968,000 (31 March 2019: approximately HK$32,022,000) 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 this announcement.

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 2019 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2019. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

For the arbitral claim of deposit refund of RMB5,817,000 (approximately HK$6,380,000) 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.

INTERIM DIVIDEND

The board resolved not to declare an interim dividend for the six months ended 30 September 2019 (30 September 2018: 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 2019.

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 2019.

CORPORATE GOVERNANCE

During the six months ended 30 September 2019, 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.

Mr. To Yan Ming ("**Mr. To**"), an independent non-executive Director, passed away on 28 August 2019. Following the passing away of Mr. To the Company has only two independent non-executive Directors and there is a vacancy in the position of the chairman of the audit committee, a member of the remuneration committee and the nomination committee of the Company. The Company will take steps to fulfill the requirements of the Listing Rules and will make further announcement(s) as and when appropriate.

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Ko Ming Tung, Edward and Professor Ho Kin Chung, B.B.S., J.P. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2019. 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.

Other information

Following the passing away of Mr. To, there is a vacancy in the position of the Chairman of the Audit Committee of the Company and the Company only has two Independent Non-executive Directors, thus the number of Independent Non-executive Directors and number of the Audit Committee of the Company falls below the minimum number requirement under Rules 3.10(1), 3.10(2) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will identify an appropriate person to fill the vacancy of Independent Non-executive Director and the Chairman of the Audit Committee within three months from the date of passing away of Mr. To pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules. Further announcement will be made in relation to the appointment when appropriate.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 September 2019 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 2019 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, 21 November 2019

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

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

Independent Non-executive Directors:
KO Ming Tung, Edward
Professor Ho Kin Chung, B.B.S., J.P.