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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 2020

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 2020 together with the comparative figures for the corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	2020 Unaudited HK$'000	2019 Unaudited HK$'000
Revenue	4	**64,797**	81,795
Cost of sales		**(64,593)**	(79,128)
Gross profit		**204**	2,667
Other income	5	**68**	154
Other gains and losses		**–**	(507)
Impairment losses on trade receivables, net of reversal		**–**	(231)
Reversal of impairment losses (impairment losses) on other receivables		**766**	(271)
Reversal of impairment loss on contract assets		**–**	283
Administrative expenses		**(12,118)**	(9,583)
Finance costs	6	**(7,056)**	(4,475)
Loss before taxation		**(18,136)**	(11,963)
Taxation	7	**–**	–
Loss for the period	8	**(18,136)**	(11,963)
(Loss) profit attributable to:			
– Owners of the Company		**(17,758)**	(12,639)
– Non-controlling interests		**(378)**	676
		(18,136)	(11,963)
Loss per share	10	**HK cents**	HK cents
– Basic		**(0.083)**	(0.059)
– Diluted		**(0.083)**	(0.059)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	2020	2019
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss for the period	**(18,136)**	(11,963)
Other comprehensive (expense) income:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(1,120)**	1,559
Other comprehensive (expense) income, net of tax	**(1,120)**	1,559
Total comprehensive expense for the period	**(19,256)**	(10,404)
Total comprehensive (expense) income for the period attributable to:		
– Owners of the Company	**(17,982)**	(12,600)
– Non-controlling interests	**(1,274)**	2,196
	(19,256)	(10,404)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 Unaudited *HK$'000*	31 March 2020 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**2,257**	2,673
Right-of-use assets		**6,377**	7,681
		8,634	10,354
Current assets			
Inventories		**8,435**	8,450
Trade and other receivables, prepayments and deposits	*11*	**61,155**	56,731
Fixed deposits		**300**	300
Bank balances and cash		**25,837**	12,576
		95,727	78,057
Current liabilities			
Trade and other payables	*12*	**59,240**	99,927
Contract liabilities		**2,097**	2,011
Borrowing	*13*	**17,119**	10,948
Lease liabilities due to a related party		**4,320**	8,016
Amount due to a director		**–**	672
Amount due to the non-controlling interests of a subsidiary		**36,079**	33,984
		118,855	155,558
Net current liabilities		**(23,128)**	(77,501)
Total assets less current liabilities		**(14,494)**	(67,147)

	30 September 2020 Unaudited *HK$'000*	31 March 2020 Audited *HK$'000*
Non-current liabilities		
Amount due to a significant shareholder	**7,160**	–
Convertible notes – liability portion, unsecured	**122,116**	–
Convertible notes – embedded derivatives, unsecured	**30,926**	–
Loans from ultimate holding company	**11,460**	121,460
Loans from third parties	**23,472**	–
Lease liabilities due to a related party	**2,297**	4,061
	197,431	125,521
Net liabilities	**(211,925)**	(192,668)
Capital and reserves		
Share capital	**213,912**	213,912
Reserves	**(422,354)**	(404,371)
Capital deficiency attributable to owners of the Company	**(208,442)**	(190,459)
Non-controlling interests	**(3,483)**	(2,209)
Capital deficiency	**(211,925)**	(192,668)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020, 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, Wai Chun Investment Fund ("**Wai Chun IF**"), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui ("**Mr. Lam**"), who is the chairman of the Board of Directors and an executive director of the Company.

The 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 26 November 2020.

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 2020, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2021. 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 2020 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 2020.

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$211,925,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$208,442,000 as at 30 September 2020, and the Group incurred a loss attributable to owners of the Company of approximately HK$17,758,000 for the six months ended 30 September 2020.

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 2020, the Company has drawn down loans of approximately HK$11,460,000 and undrawn loan facilities of approximately HK$23,540,000 granted by its ultimate holding company, Wai Chun IF. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until 31 December 2021.

(ii) In addition to the loan facilities granted by Wai Chun IF as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to satisfy its existing operation requirement 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. Also, the ultimate controlling party, his spouse and companies controlled by them agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable and lease liabilities due to a related party amounting to approximately HK$5,656,000 and HK$8,717,000 respectively due to them until all other third parties liabilities of the Group had been satisfied.

(iii) The Directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including fund raising opportunities, 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 reviewed the cash flow projection of the Group for the next twelve months from the reporting date after 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 existing operation and other financing obligations 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 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16,	COVID-19-Related Rent Concessions

The application of the Amendment to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these 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 and general trading. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

Sales and integration services:	Income from sales and services provision of integration services of computer and communication systems
Services income:	Income from design, consultation and production of information system software and management training services
General trading:	Revenue from trading of mobiles, electronic components, plastic resins 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 2020 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Recognised at a point in time	**–**	**–**	**64,797**	**64,797**
Recognised over time	**–**	**–**	**–**	**–**
Reportable segment revenue from external customers	**–**	**–**	**64,797**	**64,797**
Reportable segment results	**(69)**	**(69)**	**(271)**	**(409)**
Unallocated corporate income				**–**
Unallocated corporate expenses				**(10,671)**
Finance costs				**(7,056)**
Loss before taxation				**(18,136)**
Taxation				**–**
Loss for the period				**(18,136)**

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)

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 2020 (unaudited)

	Sales and integration services *HK$'000*	**Services income** *HK$'000*	**General trading** *HK$'000*	**Total** *HK$'000*
Segment assets	**23,010**	**6,851**	**58,048**	**87,909**
Unallocated assets				**16,452**
Consolidated assets				**104,361**
Segment liabilities	**48,983**	**14,584**	**47,991**	**111,558**
Unallocated liabilities				**204,728**
Consolidated liabilities				**316,286**

At 31 March 2020 (audited)

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

Other information

Six months ended 30 September 2020 (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	**–**	**–**	**–**	**6**	**6**
Depreciation on property, plant and equipment	**–**	**–**	**–**	**423**	**423**
Addition to right-of-use assets	**–**	**–**	**755**	**–**	**755**
Depreciation on right-of-use assets	**–**	**–**	**2,078**	**–**	**2,078**
Impairment losses on other receivables	**(383)**	**(383)**	**–**	**–**	**(766)**
Reversal of impairment loss on contract assets	**–**	**–**	**–**	**–**	**–**

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)

Geographical segments

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

Six months ended 30 September 2020 (unaudited)

	Hong Kong *HK$'000*	**The PRC** *HK$'000*	**Total** *HK$'000*
Revenue	**4,369**	**60,428**	**64,797**

Six months ended 30 September 2019 (unaudited)

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

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 2020 Unaudited *HK$'000*	31 March 2020 Audited *HK$'000*	**30 September 2020 Unaudited** *HK$'000*	31 March 2020 Audited *HK$'000*
Hong Kong	**4,369**	11,264	**8,599**	10,320
The PRC, excluding Hong Kong	**60,428**	123,491	**36**	34
	64,797	134,755	**8,635**	10,354

5. OTHER INCOME

	Six months ended 30 September	
	2020 Unaudited *HK$'000*	2019 Unaudited *HK$'000*
Bank interest income	**2**	3
Other interest income	**66**	151
	68	154

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interests payable to:		
Imputed interest on convertible notes	**1,042**	–
– ultimate holding company	**870**	3,492
– the non-controlling interests of a subsidiary	**633**	647
– related party	**4,126**	–
– director	**145**	–
Interest on lease liabilities	**240**	336
	7,056	4,475

7. TAXATION

	Six months ended 30 September	
	2020	2019
	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 2020 and 2019.

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 had no assessable profit in the PRC for the six months ended 30 September 2020. 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 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	
	2020	2019
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Impairment losses on trade receivables	**–**	231
Depreciation on property, plant and equipment	**423**	477
Depreciation on right-of-use assets	**2,078**	1,910
Staff costs (including directors' emoluments)	**3,544**	2,278
Impairment losses on other receivables	**–**	271
And after crediting:		
Bank interest income	**2**	3
Reversal of impairment losses on other receivables	**766**	–
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 2020 (six months ended 30 September 2019: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2020 was based on the Group's loss attributable to owners of the Company of approximately HK$17,758,000 (six months ended 30 September 2019: approximately HK$12,639,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2019: 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 2020 and 2019 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 September 2020 and 2019.

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 0-90 days from the date of billing.

	30 September 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade receivables	**78,817**	73,362
Less: Impairment allowance	**(47,996)**	(46,041)
	30,821	27,321
Other receivables	**27,396**	26,552
Prepayments	**2,037**	1,957
Deposits	**901**	901
	30,334	29,410
Total	**61,155**	56,731

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 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade receivables		
0-90 days	**28,789**	–
91-180 days	**2,032**	27,321
Over 180 days	**–**	–
	30,821	27,321

Movements in the impairment allowance on trade receivables:

	30 September 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
Balance at beginning of the period/year	**46,041**	51,598
Foreign currency exchange differences	**1,955**	(3,299)
Reversal of impairment losses	**–**	(2,258)
Balance at end of the period/year	**47,996**	46,041

As at 30 September 2020, trade receivables of approximately HK$30,821,000 (31 March 2020: approximately HK$27,321,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and/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 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
0-90 days	**28,789**	–
91-180 days	**2,032**	27,321
Over 180 days	**–**	–
	30,821	27,321

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented base on the date of goods delivered/the period of service rendered/date of invoices:

	30 September 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade payables *(note i)*		
0-90 days	**28,678**	982
91-180 days	**–**	26,658
Over 180 days	**20,181**	17,756
	48,859	45,396
Other payables		
Accruals and others	**10,381**	54,531
Total	**59,240**	99,927

Notes:

(i) At 30 September 2020, trade payables of RMB8,132,000 (approximately HK$9,281,000) (31 March 2020: RMB8,132,000 (approximately: HK$8,903,000)) involved lawsuits filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"). Please refer to note 14.

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

13. BORROWING

	30 September 2020	31 March 2020
	Unaudited	Audited
	HK$'000	*HK$'000*
Interest-free borrowing *(note i)*	**17,119**	10,948
	17,119	10,948

Note:

(i) The amount is unsecured and repayable within one month and non-interest bearing. Subsequent to 30 September 2020, the borrowing was fully settled.

14. LITIGATION AND CONTINGENT LIABILITIES

Litigations/Mediations with suppliers

As at 30 September 2020, trade payables in the amount of RMB8,132,000 (approximately HK$9,281,000) of Beijing HollyBridge were claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,446,000 (approximately HK$1,650,000).

At 30 September 2020, bank balances of Beijing HollyBridge amounting to RMB793,000 (approximately HK$905,000) 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 2020 as all the above payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2020.

15. EVENT AFTER THE REPORTING PERIOD

(a) On 30 September 2020, the Company entered into the Subscription Agreements with two subscribers with an aggregate principal amount of the Convertible Bonds of HK$23,480,000 who are independent third parties of the Group. The maturity date falling on the third anniversary of the date of issue of the Convertible Bonds. The Convertible Bonds bears interests from the date of issue at 4% per annum on the principal amount and payable by the Company quarterly in arrears. The subscribers of the Convertible Bonds have the right to convert all or any portion of the Convertible Bonds into shares of the Company at the conversion price of HK$0.018 per conversion share (subject to adjustments). The conversion rights can be exercised in the day immediately prior to and exclusive of the maturity date of the Convertible Bonds.

On 29 October 2020, the Company and each of the Subscribers entered to a supplementary agreement in relation to the Subscription Agreements, pursuant to which, the parties have agreed that conditional upon the Share Consolidation becoming effective, the initial conversion price of the Convertible Bonds shall be changed from HK$0.018 per Conversion Share (subject to adjustment) to HK$0.18 per Conversion Share (subject to adjustment). The Conversion Shares will be allotted and issued under the General Mandate. Save for the above changes, all other terms and the conditions of the Subscription Agreements remain unchanged.

(b) On 9 November 2020, the Company proposed share consolidation on the basis that (i) every ten (10) issued and unissued Existing Ordinary Shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK$0.1; and (ii) every ten (10) unissued Existing Preference Shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Preference Share of HK$0.1. The Company also proposes to change the board lot size for trading from 2,000 Existing Ordinary Shares to 20,000 Consolidated Ordinary Shares upon the Share Consolidation becoming effective. The above proposed share consolidation was approved at the special general meeting on 25 November 2020, and will be effective in two business days after the special general meeting.

Saved as otherwise disclosed, the Group does not have any material subsequent event after the Reporting Period and up to the date of this report.

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 2020 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$211,925,000 and the Group's capital deficiency attributable to owners of the Company was approximately HK$208,442,000 as at 30 September 2020 and the Group incurred a loss attributable to owners of the Company of approximately HK$17,758,000 for the six months ended 30 September 2020. 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 14 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 2020 together with the comparative figures for the corresponding period in 2019.

For the six months ended 30 September 2020, the Group recorded a turnover of approximately HK$64,797,000 (six months ended 30 September 2019: approximately HK$81,795,000), representing an decrease of 21% as compared with the corresponding period last year. The decrease in turnover was due to no turnover was generated from sales and integration services business and service income business because of the impact of COVID-19, despite the turnover on general trading increased compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK$204,000 and 0.3% respectively for the six months ended 30 September 2020, representing an decrease of approximately HK$2,463,000 and an decrease of 92% respectively as compared with the gross profit of approximately HK$2,667,000 and the gross margin of 3.3% for the corresponding period last year. The decrease in gross margin was due to the keen competition of the general trading business.

Administrative expenses increased by 26% to approximately HK$12,118,000 for the six months ended 30 September 2020 from approximately HK$9,583,000 for the corresponding period last year.

Loss attributable to owners of the Company amounted to approximately HK$17,758,000, representing an increase of approximately HK$5,119,000 or 40.5% as compared with the loss of approximately HK$12,639,000 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 adverse impact of the COVID-19 pandemic on the constraint and restriction of the Group to provide integration services of computer and communication system services to meet with its customers' orders during the first half of 2020. 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 losses of approximately HK$69,000 and HK$69,000 respectively (six months ended 30 September 2019: Segment profit of approximately HK$1,671,000 and HK$356,000 respectively).

Looking forward, to turn the Group to an improved 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 Group expect the turnover from sales and integration services business will gradually recover in second half year of 2020.

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$254,949,000 (31 March 2020: approximately HK$179,141,000), mainly comprising convertible notes of approximately HK$153,042,000 (31 March 2020: Nil), loans from third parties of approximately HK$23,472,000 (31 March 2020: Nil), loans from ultimate holding company of approximately HK$11,460,000 (31 March 2020: approximately HK$121,460,000), amounts due to the non-controlling interests of a subsidiary of approximately HK$36,079,000 (31 March 2020: approximately HK$33,984,000), amount due to a significant shareholder of approximately HK$7,160,000 (31 March 2020: Nil) and other borrowing of approximately HK$17,119,000 (31 March 2020: approximately HK$10,948,000). 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 2020. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 219.5% (31 March 2020: approximately 188.4%), representing an increase of approximately 31.1% as compared to last financial year end date. The current ratio of the Group was approximately 0.81 times (31 March 2020: approximately 0.50 times). Cash and cash equivalents of approximately HK$26,137,000 (31 March 2020: approximately HK$12,008,000) 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 14 to this announcement.

For the litigations referred in note 14, 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 2020 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2020. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

INTERIM DIVIDEND

The board resolved not to declare an interim dividend for the six months ended 30 September 2020 (30 September 2019: 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 2020.

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 2020.

CORPORATE GOVERNANCE

During the six months ended 30 September 2020, 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.

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.

References are made to the announcements of the Company dated 26 February 2020, the Company announced that Professor Ho Kin Chung, B.B.S., J.P, has resigned as an Independent Non-executive Director ("**INED**"), and ceased to be the Chairman of the Company's Nomination Committee, a member of the Company's Audit Committee and a member of the Remuneration Committee of the Company on 26 February 2020. Following the resignation of Professor Ho, there is a vacancy in the position of the member of the Audit Committee of the Company and the Company only has two INED, thus the number of INEDs and number of the Audit Committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). As required under Rules 3.11 and 3.23 of the Listing rules, the Company should appoint sufficient number of INEDs and make appropriate appointment to the Audit Committee within three months which is by 26 May 2020. The Company has rectified the situation by appointing Ms. Chen Dairong as an INED of the Company on 2 July, 2020.

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chan Wai Dune, Dr. Wang Wei and Ms. Chen Dairong. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 September 2020 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 2020 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, 26 November 2020

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

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

Independent Non-executive Directors:
Mr. Chan Wai Dune
Dr. Wang Wei
Ms. Chen Dairong