INTERIM REPORT 2018

偉俊集團控股有限公司*

Wai Chun Group Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1013

* for identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ko Ming Tung, Edward
To Yan Ming, Edmond
Professor Ho Kin Chung B.B.S., J.P.

AUTHORISED REPRESENTATIVE

Lam Ching Kui
Tong Chi Cheong

AUDIT COMMITTEE

To Yan Ming, Edmond *(Chairman)*
Ko Ming Tung, Edward
Professor Ho Kin Chung B.B.S., J.P.

REMUNERATION COMMITTEE

Ko Ming Tung, Edward *(Chairman)*
Lam Ching Kui
To Yan Ming, Edmond
Professor Ho Kin Chung B.B.S., J.P.

NOMINATION COMMITTEE

Professor Ho Kin Chung B.B.S., J.P. *(Chairman)*
Lam Ching Kui
Ko Ming Tung, Edward
To Yan Ming, Edmond

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Hong Kong

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

SHARE REGISTRAR IN BERMUDA

Codan Services Limited
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2 Church Street
Hamilton HM11
Bermuda

REGISTRAR IN HONG KONG

Union Registrars Limited
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33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1013

COMPANY WEBSITE

www.1013.hk

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 2018 together with the comparative figures for the corresponding period in 2017.

For the six months ended 30 September 2018, the Group recorded a turnover of approximately HK$109,880,000 (six months ended 30 September 2017: approximately HK$43,222,000), representing an increase of 154.2% as compared with the corresponding period last year. The growth in turnover was attributable to an increase in the sales of the general trading business. The Group recorded a gross profit and gross profit margin of approximately HK$1,384,000 and 1.3% respectively for the six months ended 30 September 2018, representing a decrease of approximately HK$1,538,000 and a decrease of 5.5% respectively as compared with the gross profit of approximately HK$2,922,000 and the gross margin of 6.8% for the corresponding period last year. The decrease in gross margin was due to the low gross profit margin of the general trading business, despite the gross profit margin on services income was similar to that of the same period last year.

Administrative expenses decreased by 21% to approximately HK$11,433,000 for the six months ended 30 September 2018 from approximately HK$14,413,000 for the corresponding period last year.

Loss attributable to owners of the Company amounted to approximately HK$13,657,000, representing a decrease of approximately HK$864,000 or 5.95% as compared with the loss of approximately HK$14,521,000 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 services income segment and general trading segment through stringent project selection and tighter cost control measures. As a result, the business of design, consultation and production of information system software recorded segment profits of approximately HK$218,000 (six months ended 30 September 2017: Segment loss of approximately HK$1,548,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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$193,413,000 (31 March 2018: approximately HK$194,855,000), comprising loans from ultimate holding company of approximately HK$97,430,000 (31 March 2018: approximately HK$108,696,000), amounts due to the non-controlling interests of a subsidiary of approximately HK$33,433,000 (31 March 2018: approximately HK$35,973,000), amount due to a director of approximately HK$233,000 (31 March 2018: approximately HK$11,170,000) and other borrowing of approximately HK$62,317,000 (31 March 2018: approximately HK$39,016,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. All of these borrowings are interest bearing. The Group had no assets pledged as at 30 September 2018. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 134.7% (31 March 2018: approximately 120.4%), representing an increase of approximately 14.3% as compared to last financial year end date. The current ratio of the Group was approximately 0.65 (31 March 2018: approximately 0.77). Cash and cash equivalents of approximately HK$34,481,000 (31 March 2018: approximately HK$35,148,000) 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 interim report, the Group has been involved in certain legal proceedings of material importance. Details of the litigations and contingent liabilities are set out in note 25 to the condensed consolidated financial statements.

For the litigations referred in note 25(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 2018 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2018. 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$6,630,000) as stated in note 25(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 2018 (30 September 2017: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares of the Company

Name of Director	Nature of Interest	Long position/ Short position	Number of ordinary shares	Approximate percentage of shareholding in the Company
Mr. Lam Ching Kui	Interest of controlled corporations	Long position	15,543,386,000 *(Note)*	72.66%

Note: Mr. Lam Ching Kui is deemed to be interested in these 15,543,386,000 shares of the Company held by Ka Chun Holdings Limited (formerly known as Wai Chun Ventures Limited) which is wholly-owned by Supreme Union Holdings Limited which, in return, wholly-owned by Mr. Lam Ching Kui.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 30 September 2018, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were set out as follows:

Name of Shareholder	Nature of interest	Long position/ Short position	Number of ordinary shares	Approximate percentage of shareholding in the Company
Ka Chun Holdings Limited	Beneficial owner	Long position	15,543,386,000	72.66%
Supreme Union Holdings Limited	Interests of controlled corporation	Long position	15,543,386,000 *(Note)*	72.66%

Note: These 15,543,386,000 shares of the Company are held by Ka Chun Holdings Limited, which is wholly-owned by Supreme Union Holdings Limited. Therefore, Supreme Union Holdings Limited is deemed to be interested in these 15,543,386,000 shares pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 September 2018.

EMPLOYEES

As at 30 September 2018, the Group had a total of 18 employees, the majority of whom are situated in Hong Kong. Competitive remuneration packages including discretionary bonuses shall be offered to the employees based on their individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the executive Director(s) and senior management pursuant to its terms of reference. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2018, was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

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 2018.

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 2018.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, the Company complied with all the relevant code provisions as set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except for the deviation from code provisions A.2.1 and A.4.1.

Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Lam Ching Kui is the chairman and chief executive officer of the Company. He has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Group. The balance of power and authorities are ensured by the operation of the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment of Mr. Ko Ming Tung, Edward as the independent non-executive Director, however, all independent non-executive Directors are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting those in the CG Code.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. To Yan Ming, Edmond (chairman), Mr. Ko Ming Tung, Edward and 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 2018. 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.

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, 28 November 2018

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE BOARD OF DIRECTORS OF WAI CHUN GROUP HOLDINGS LIMITED
偉俊集團控股有限公司
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wai Chun Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 12 to 50, which comprise the condensed consolidated statement of financial position as of 30 September 2018, and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN AND LITIGATION

The accompanying condensed consolidated financial statements for the six months ended 30 September 2018 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$157,042,000 and the Group's capital deficiency attributable to owners of the Company was approximately HK$151,040,000 as at 30 September 2018 and the Group incurred a loss attributable to owners of the Company of approximately HK$13,657,000 for the six months ended 30 September 2018. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the condensed consolidated financial statements, these condensed consolidated financial statements have been prepared on a going concern basis.

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

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong, 28 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Notes	**2018** **Unaudited** ***HK$'000***	2017 Unaudited *HK$'000*
Revenue	*4*	**109,880**	43,222
Cost of sales		**(108,496)**	(40,300)
Gross profit		**1,384**	2,922
Other income	*5*	**282**	103
Other gains and losses	*6*	**(2,478)**	(599)
Selling and distribution expenses		**(19)**	(2,520)
Administrative expenses		**(11,433)**	(14,413)
Finance costs	*7*	**(3,606)**	(3,443)
Loss before taxation		**(15,870)**	(17,950)
Taxation	*8*	**–**	–
Loss for the period	*9*	**(15,870)**	(17,950)
Loss attributable to:			
– Owners of the Company		**(13,657)**	(14,521)
– Non-controlling interests		**(2,213)**	(3,429)
		(15,870)	(17,950)
Loss per share	*11*	***HK cents***	*HK cents*
– Basic		**(0.06)**	(0.07)
– Diluted		**(0.06)**	(0.07)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	2018 **Unaudited** ***HK$'000***	2017 Unaudited *HK$'000*
Loss for the period	**(15,870)**	(17,950)
Other comprehensive income (expense):		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**2,965**	(1,571)
Other comprehensive income (expense), net of tax	**2,965**	(1,571)
Total comprehensive expense for the period	**(12,905)**	(19,521)
Total comprehensive expense for the period attributable to:		
– Owners of the Company	**(12,786)**	(15,523)
– Non-controlling interests	**(119)**	(3,998)
	(12,905)	(19,521)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Non-current asset			
Property, plant and equipment	*12*	**3,168**	3,591
Current assets			
Inventories	*13*	**5,019**	9,204
Trade and other receivables, prepayments and deposits	*14*	**73,678**	81,944
Fixed deposits	*15*	**300**	300
Bank balances and cash	*15*	**35,794**	37,638
		114,791	129,086
Current liabilities			
Trade and other payables	*16*	**77,302**	80,681
Tax payable		**61**	61
Borrowings	*17*	**62,317**	39,016
Contract liabilities		**4,225**	–
Amount due to a director		**233**	11,170
Amount due to the non-controlling interests of a subsidiary	*18*	**33,433**	35,973
		177,571	166,901
Net current liabilities		**(62,780)**	(37,815)
Total assets less current liabilities		**(59,612)**	(34,224)
Non-current liability			
Loans from ultimate holding company		**97,430**	108,696
Net liabilities		**(157,042)**	(142,920)
Capital and reserves			
Share capital	*19*	**213,912**	213,912
Reserves		**(364,952)**	(351,545)
Capital deficiency attributable to owners of the Company		**(151,040)**	(137,633)
Non-controlling interests	*20*	**(6,002)**	(5,287)
Capital deficiency		**(157,042)**	(142,920)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2018 (audited)	**213,912**	**5,000**	**19,680**	**(7,675)**	**(368,550)**	**(137,633)**	**(5,287)**	**(142,920)**
Adjustments of application of Accounting policy changes (note 3)	**–**	**–**	**–**	**–**	**(621)**	**(621)**	**(596)**	**(1,217)**
At 1 April 2018 (restated)	**213,912**	**5,000**	**19,680**	**(7,675)**	**(369,171)**	**(138,254)**	**(5,883)**	**(144,137)**
Loss for the period	**–**	**–**	**–**	**–**	**(13,657)**	**(13,657)**	**(2,213)**	**(15,870)**
Other comprehensive expenses for the period	**–**	**–**	**–**	**871**	**–**	**871**	**2,094**	**2,965**
Total comprehensive income for the period	**–**	**–**	**–**	**871**	**(13,657)**	**(12,786)**	**(119)**	**(12,905)**
At 30 September 2018 (unaudited)	**213,912**	**5,000**	**19,680**	**(6,804)**	**(382,828)**	**(151,040)**	**(6,002)**	**(157,042)**
At 1 April 2017 (audited)	213,912	5,000	19,680	(4,683)	(335,045)	(101,136)	2,911	(98,225)
Loss for the period	–	–	–	–	(14,521)	(14,521)	(3,429)	(17,950)
Other comprehensive expense for the period	–	–	–	(1,002)	–	(1,002)	(569)	(1,571)
Total comprehensive expense for the period	–	–	–	(1,002)	(14,521)	(15,523)	(3,998)	(19,521)
Incorporation of a non-wholly owned subsidiary	–	–	–	–	–	–	3	3
At 30 September 2017 (unaudited)	213,912	5,000	19,680	(5,685)	(349,566)	(116,659)	(1,084)	(117,743)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	2018 Unaudited HK$'000	2017 Unaudited HK$'000
Operating activities			
Cash used in operations		**(31,143)**	(1,810)
Income tax paid		**–**	–
Net cash used in operating activities		**(31,143)**	(1,810)
Investing activities			
Interest received		**7**	20
Decrease in restricted bank deposits		**971**	17,862
Capital contribution from non-controlling interests		**–**	3
Net cash generated from investing activities		**978**	17,885
Financing activities			
New borrowings raised		**64,609**	11,885
Repayment of borrowings		**(36,647)**	(38,574)
Loans from ultimate holding company		**7,223**	4,211
Repayment of loans from ultimate holding company		**(21,400)**	–
Net cash generated from (used in) financing activities		**13,785**	(22,478)
Net decrease in cash and cash equivalents		**(16,380)**	(6,403)
Effect of foreign exchange rate changes		**15,713**	(711)
Cash and cash equivalents at beginning of the period		**35,148**	10,134
Cash and cash equivalents at end of the period		**34,481**	3,020
Analysis of the balances of cash and cash equivalents			
Fixed deposits	15	**300**	300
Bank balances and cash	15	**35,794**	3,864
Less: Restricted bank deposits	15	**(1,613)**	(1,144)
		34,481	3,020

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In the opinion of the directors of the Company, the ultimate holding company of the Company is Supreme Union Holdings Limited ("**Supreme Union**"), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui ("**Mr. Lam**"), who is the chairman of the Board of Directors and an executive director of the Company. The immediate holding company of the Company is Ka Chun Holdings Limited. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company.

The 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 28 November 2018.

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 2018, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2019. Details of any changes in accounting policies are set out in note 3 to the condensed consolidated financial statements.

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

2. BASIS OF PREPARATION (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 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 2018.

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$157,042,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$151,040,000 as at 30 September 2018, and the Group incurred a loss attributable to owners of the Company of approximately HK$13,657,000 for the six months ended 30 September 2018.

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 2018, the Company has drawn down loans of approximately HK$97,430,043 and undrawn loan facilities of approximately HK$92,569,957 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 until all other liabilities of the Group have been satisfied;

(ii) In addition to the loan facilities granted by Supreme Union as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements;

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

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

2. BASIS OF PREPARATION (Continued)

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

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of the new and revised HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and revised 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.

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses, non-controlling interest and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial instruments

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**").

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on trade receivables are assessed for customers with significant balances individually and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (Continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of assessment and the impact thereof are detailed in Note 3.1.2.

3.1.2 Summary of effects arising from initial application of HKFRS 9

The following table below explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	Original classification under HKAS 39	New classification under HKFRS 9	Closing balance at 31 March 2018 under HKAS 39	Remeasurement under HKFRS 9 through reserves	Opening balance At 1 April 2018 HKFRS 9
			HK$'000	HK$'000	HK$'000
Financial assets					
Trade receivables	Loans and receivables	Amortised cost	28,226	(1,217)	27,009
Deposits and other receivables	Loans and receivables	Amortised cost	7,077	–	7,077
Bank balances and cash	Loans and receivables	Amortised cost	35,148	–	35,148
Total financial assets			70,451	(1,217)	69,234

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impact and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

		Trade receivables *HK$'000*	Accumulated losses attributable to owners of the Company *HK$'000*	Non-controlling interest *HK$'000*
Closing balance at 31 March 2018 – HKAS 39		28,226	(368,550)	(5,287)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	Note	(1,217)	(621)	(596)
Opening balance at 1 April 2018		27,009	(369,171)	(5,883)

Note: Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the 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 costs or effort.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

Revenue from contracts with customers primarily consist of the following sources:

- Sales and services provision of integration services of computer and communication systems
- Services income from design, consultation and production of information system software and management training services
- General trading of mobiles and electronic components and chemicals

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3.2.2 Effect arising from initial application of HKFRS 15

"Receipts in advance from customers" in relation to deposits or payments received in advance for sales and services provision of integration services of computer and communication systems and general trading, which was previously included in "Other payables and accruals" has been reclassified as "Contract liabilities".

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.2 Effect arising from initial application of HKFRS 15 (Continued)

	Carrying amounts previously reported at 31 March 2018 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1 April 2018 *HK$'000*
Current liabilities			
Other payables	42,237	(5,981)	36,256
Contract liabilities	–	5,981	5,981

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current liabilities			
Other payables	39,290	4,225	43,515
Contract liabilities	4,225	(4,225)	–

At the date of initial application, the Group has assessed that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date to be determined.

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

Six months ended 30 September 2018 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Revenue				
External sales	11,695	2,117	96,068	109,880
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)

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30 September 2017 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Revenue				
External sales	8,879	4,754	29,589	43,222
Segment results	(4,210)	(1,548)	124	(5,634)
Unallocated corporate income				103
Unallocated corporate expenses				(8,976)
Finance costs				(3,443)
Loss before taxation				(17,950)
Taxation				–
Loss for the period				(17,950)

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 September 2018 (unaudited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Segment assets	**13,492**	**2,571**	**98,717**	**114,780**
Unallocated assets				**3,179**
Consolidated assets				**117,959**
Segment liabilities	**59,825**	**6,234**	**80,817**	**146,876**
Unallocated liabilities				**128,125**
Consolidated liabilities				**275,001**

At 31 March 2018 (audited)

	Sales and integration services *HK$'000*	Services income *HK$'000*	General trading *HK$'000*	Total *HK$'000*
Segment assets	17,276	23,489	13,945	54,710
Unallocated assets				77,967
Consolidated assets				132,677
Segment liabilities	32,127	43,679	13,285	89,091
Unallocated liabilities				186,506
Consolidated liabilities				275,597

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

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
Depreciation of property, plant and equipment	**3**	**1**	**18**	**395**	**417**
Allowance for bad and doubtful debts	**2,744**	**231**	**–**	**–**	**2,975**
Reversal of impairment loss of other receivables	**(465)**	**(40)**	**–**	**–**	**(505)**

Six months ended 30 September 2017 (unaudited)

	Sales and integration services HK$'000	Services income HK$'000	General trading HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	56	30	–	62	148
Allowance for bad and doubtful debts	699	374	–	–	1,073
Impairment loss of other receivables	220	118	–	–	338

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

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

Six months ended 30 September 2018 (unaudited)

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

Six months ended 30 September 2017 (unaudited)

	Hong Kong *HK$'000*	The PRC *HK$'000*	Total *HK$'000*
Revenue	29,589	13,633	43,222

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 2018 Unaudited *HK'000*	31 March 2018 Audited *HK'000*	**30 September 2018 Unaudited** *HK'000*	31 March 2018 Audited *HK'000*
Hong Kong	**4,777**	42,498	**–**	3,401
The PRC, excluding Hong Kong	**113,182**	90,179	**–**	–
	117,959	132,677	**–**	3,401

5. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Bank interest income	**7**	20
Sundry income	**115**	83
Other interest income	**160**	–
	282	103

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Allowance for bad and doubtful debts	**(2,975)**	(1,073)
Reversal of impairment loss (impairment loss) of other receivables	**505**	(338)
Net foreign exchange (loss) gain	**(8)**	812
	(2,478)	(599)

7. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interests paid/payable to:		
– ultimate holding company	**2,911**	2,119
– the non-controlling interests of a subsidiary	**681**	656
– independent third parties	**14**	668
	3,606	3,443

8. TAXATION

	Six months ended 30 September	
	2018 **Unaudited** ***HK$'000***	2017 Unaudited *HK$'000*
Current tax – PRC Enterprise Income Tax	**–**	–
Current tax – Hong Kong Profits Tax	**–**	–
	–	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits in Hong Kong for the six months ended 30 September 2018 and 2017.

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 did not generate any assessable profits in the PRC for the six months ended 30 September 2018 and 2017.

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

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2018 **Unaudited** ***HK$'000***	2017 Unaudited *HK$'000*
Loss for the period has been arrived at after charging:		
Allowance for bad and doubtful debts	**2,975**	1,073
Depreciation on property, plant and equipment	**417**	148
Staff costs (including directors' emoluments)	**2,199**	3,792
Impairment loss of other receivables	**–**	338
And after crediting:		
Bank interest income	**7**	20
Reversal of impairment loss of other receivables	**505**	–

10. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2018 was based on the Group's loss attributable to owners of the Company of approximately HK$13,657,000 (six months ended 30 September 2017: approximately HK$14,521,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2017: 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 2018 and 2017 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 2018 and 2017.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018 and 2017, there was no acquisition and disposal of property, plant and equipment.

13. INVENTORIES

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Work in progress	**2,543**	6,579
Other consumables	**2,476**	2,625
	5,019	9,204

No inventories of the Group were carried at net realisable value at the end of the reporting period.

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration service/service income, on average the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance/date of rendering services, except for certain contracts with longer implementation schedules where the credit period may extend beyond 90 days, or may be extended for major or specific customers. The credit terms granted to trade customers in respect of sales of mobiles and electronic components and chemicals are due within 30 to 90 days from the date of billing.

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Trade receivables	**66,919**	74,955
Less: Allowance for bad and doubtful debts	**(46,921)**	(46,729)
	19,998	28,226
Other receivables	**13,097**	6,420
Prepayments	**39,926**	46,641
Deposits	**657**	657
	53,680	53,718
Total	**73,678**	81,944

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

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Trade receivables		
0-90 days	**17,573**	26,240
91-180 days	**2,106**	1,962
Over 180 days	**319**	24
	19,998	28,226

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

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.

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables and other financial assets during the six months ended 30 September 2018 was as follows:

	HK$'000
Balance at 1 April 2018 *(note i)*	47,946
Net remeasurement of loss allowance	2,975
Exchange of foreign currency exchange differences	(4,000)
Balance at 30 September 2018	46,921

Movements in the allowance for bad and doubtful debts:

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Balance at beginning of the period/year *(note i)*	**47,946**	35,941
Allowance recognised on receivables	**2,975**	9,476
Exchange of foreign currency exchange differences	**(4,000)**	1,312
Balance at end of the period/year	**46,921**	46,729

Note:

(i) The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated.

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

As at 30 September 2018, trade receivables of approximately HK$2,425,000 (31 March 2018: approximately HK$1,986,000) 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 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
0-90 days	**2,106**	1,962
91-180 days	**319**	24
Over 180 days	**–**	–
	2,425	1,986

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

15. FIXED DEPOSITS/BANK BALANCES AND CASH

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Fixed deposits	**300**	300
Cash at banks and on hand *(note i)*	**35,794**	37,638
Less: Restricted bank deposits	**(1,613)**	(2,790)
Cash and cash equivalents in the consolidated statement of cash flow	**34,481**	35,148

Note:

(i) Among the bank balances of the Group, approximately HK$1,613,000 (RMB1,415,000) (31 March 2018: HK$2,790,000 (RMB2,231,000)) was restrained from dealing due to the civil actions taken by the PRC claimants at 30 September 2018. For details, please refer to note 25 (ii) to the condensed consolidated financial statements.

15. FIXED DEPOSITS/BANK BALANCES AND CASH (Continued)

In the view of the directors of the Company, aforesaid restricted bank balances are not available for general use by the Group may have an adverse impact on the cash flow position of the Group as at 30 September 2018, however, the ultimate holding company and the ultimate controlling party has undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern as disclosed in note 2 to the condensed consolidated financial statements.

16. TRADE AND OTHER PAYABLES

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

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Trade payables *(note i)*		
0-90 days	**17,499**	15,262
91-180 days	**1,886**	2,849
Over 180 days	**18,628**	20,333
	38,013	38,444
Other payables		
Receipt in advance	**–**	5,981
Accruals and others	**39,289**	36,256
	39,289	42,237
Total	**77,302**	80,681

Note:

(i) At 30 September 2018, trade payables of RMB8,464,000 (approximately HK$9,648,000) involved lawsuit filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"). Please refer to note 25 (ii) to the condensed consolidated financial statements.

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

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

17. BORROWINGS

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Interest-bearing borrowing *(note i)*	**480**	39,016
Interest-free borrowing *(note ii)*	**61,837**	–
	62,317	39,016

Notes:

(i) The amount is unsecured, repayable within one year and bearing interest at fixed interest rates.

(ii) The amount is unsecured and repayable within one month. Subsequent to 30 September 2018, the loans are fully settled.

18. AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount due to the non-controlling interests of a subsidiary is unsecured, repayable on demand and bearing interest at prevailing interest rate from 1 April 2014. No interest was charged prior to 1 April 2014. The principal loan amount of RMB24,000,000 (approximately HK$27,356,000) and the interest payable amount of RMB5,332,000 (approximately HK$6,077,000) were involved in the lawsuit filed against a subsidiary of the Company, Beijing HollyBridge, as disclosed in note 25(i) to the condensed consolidated financial statements.

19. SHARE CAPITAL

	Number of shares '000	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2017, 31 March 2018 and 30 September 2018	89,000,000	890,000
Convertible preference shares of HK$0.01 each at 1 April 2017, 31 March 2018 and 30 September 2018	11,000,000	110,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2017, 31 March 2018 and 30 September 2018	21,391,163	213,912

19. SHARE CAPITAL (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20. NON-CONTROLLING INTERESTS

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Balance at beginning of the period/year *(note i)*	**(5,883)**	2,911
Share of loss for the period/year	**(2,213)**	(6,535)
Exchange of foreign currency exchange differences	**2,094**	(1,666)
Capital contribution from non-controlling interests	**–**	3
Balance at end of the period/year	**(6,002)**	(5,287)

Note:

(i) The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated.

21. SHARE OF OPTIONS

Equity-settled share option scheme

Pursuant to a share option scheme adopted by the shareholders of the Company on 25 September 2015 (the "**Share Option Scheme**"), the Company may, at their discretion, invite executive or non-executive director, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other advisers to take up options.

The subscription price of the Share Option Scheme will be determined at the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

21. SHARE OF OPTIONS (Continued)

Equity-settled share option scheme (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. Besides, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company in issue shall not exceed 30% of the relevant class of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the total number of shares in issue.

Options granted under the Share Option Scheme must be taken up within 14 days of the grant upon payment of HK$1.00 per grant.

On 15 January 2016, the Company granted a total of 1,069,558,120 share options under the Share Option Scheme to consultants and an employee of the Group. The exercise period of the options is 5 years from the date of grant of the options, i.e. from 15 January 2016 to 14 January 2021. The options will entitle the grantees to subscribe for a total of 1,069,558,120 new shares of HK$0.01 each at an exercise price of HK$0.037 per share.

The fair value of the share options granted during the year ended 31 March 2016 was HK$19,689,999, of which the Group recognised the entire amount as an expense during the year ended 31 March 2016. The fair value per option granted was HK cents 1.84.

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 March 2018 and 30 September 2018, the number of shares in respect of the options granted and remained outstanding under the Share Option Scheme was 1,069,558,120, representing 5% of the issued shares of the Company. As at the date of this interim report, the number of shares available for issue under the Share Option Scheme was 1,069,558,120, representing 5% of the issued shares of the Company.

21. SHARE OF OPTIONS (Continued)

Equity-settled share option scheme (Continued)

Movements of the Company's share options held by consultants and an employee during the period ended 30 September 2018 are set out below:

Category of participants	At 1 April 2018	Granted	Exercised	At 30 September 2018	Date of grant	Exercise period	Exercise price HK$
Consultants	855,646,496	–	–	855,646,496	15 January 2016	15 January 2016 to 14 January 2021	0.037
Employee	213,911,624	–	–	213,911,624	15 January 2016	15 January 2016 to 14 January 2021	0.037
Total	1,069,558,120	–	–	1,069,558,120			
Exercise price	HK$0.037	–	–	HK$0.037			

22. 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 2018 Unaudited HK$'000	31 March 2018 Audited HK$'000
Within one year	**4,775**	4,725
In the second to fifth years, inclusive	**296**	2,076
	5,071	6,801

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.

23. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with related parties

During the period, the Group had the following transactions with related parties in the normal course of business:

	Six months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Rental expenses to:		
Ms. Chan *(note i)*	**2,100**	2,100
Wai Chun Holdings Group Limited *(note ii)*	**1,780**	1,593
Interest expenses to:		
Ultimate holding company *(note iii)*	**2,911**	2,119
Non-controlling interest of a subsidiary	**681**	656
Sales to:		
Wai Chun Culture Development (Shanghai) Limited* *(note v)*	**–**	562

23. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

	30 September 2018 Unaudited *HK$'000*	31 March 2018 Audited *HK$'000*
Rental expenses payable to:		
Ms. Chan *(note i)*	**14,100**	12,000
Wai Chun Holdings Group Limited *(note ii)*	**11,499**	9,719
Amount due to the non-controlling interests of a subsidiary *(note 18)*	**33,433**	35,973
Loans from ultimate holding company *(note iv)*	**97,430**	108,696
Amount due to a director	**233**	11,170
Salary payable to a director	**4,406**	4,406
Salary payable to Ms. Chan *(note i)*	**973**	973

Notes:

(i) Ms. Chan Oi Mo ("**Ms. Chan**") is the spouse of Mr. Lam, a director of the Company.

(ii) Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam, a director of the Company, and as to 50% by Ms. Chan, the spouse of Mr. Lam.

(iii) The interest expense is arising from loans from the ultimate holding company, Supreme Union.

(iv) The loans from ultimate holding company, Supreme Union, are unsecured, interest bearing and not repayable within one year.

(v) Wai Chun Culture Development (Shanghai) Limited* has common ultimate controlling party of the Company, Mr. Lam.

* The English name is directly translated from the Chinese name shown in the PRC business license.

23. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(c) Key management personnel compensation

Remuneration for key management personnel is as follows:

	Six months ended 30 September	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Directors' fee	**259**	240
Basic salaries, other allowance and benefit in kind	**–**	–
Retirement benefits scheme contributions	**–**	–
	259	240

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Save as disclosed in the condensed consolidated financial statements, there were no other significant related party transactions.

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

25. 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$27,356,000) 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.

25. LITIGATION AND CONTINGENT LIABILITIES (Continued)

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

According to the civil claim filed with the Haidian District People's Court of Beijing by the Non-controlling Shareholder (as plaintiff), it was claimed that Beijing HollyBridge failed to repay the amount due when it was demanded by the Non-controlling Shareholder.

On 17 April 2017, Haidian District People's Court of Beijing issued a ruling of the above civil claim that the Company should repay the principal amount of borrowings of RMB24,000,000 to Non-controlling Shareholder. Beijing HollyBridge applied for an appeal to Beijing First Intermediate People's Court on 15 May 2017. According to the judgement of the Beijing First Intermediate People's Court dated on 31 October 2017, the appeal was repudiated and repayment of the borrowings was ordered. Further to the judgement, Haidian District People's Court of Beijing issued an execution judgement which provided the conclusion of the execution procedure of the above mentioned case in accordance with the law of the PRC.

The directors of the Company consider that no provision is required as the principal, interest and related legal costs incurred during the year have already been recorded as liability in the note 18 to the condensed consolidated financial statements. Since the aforementioned case has been wholly concluded, the directors of the Company believe that additional interest and legal costs are unlikely to be incurred. As such, no provision for additional liabilities in this respect has been made in the condensed consolidated financial statements.

(ii) Litigations/Mediations with suppliers

As at 30 September 2018, there are trade payables in the amount of RMB8,464,000 (approximately HK$9,648,000) of Beijing HollyBridge claimed by certain suppliers for overdue settlement together with penalty charge/legal fee of RMB1,284,000 (approximately HK$1,464,000).

At 30 September 2018, there are bank balances of Beijing HollyBridge amounting to RMB1,415,000 (approximately HK$1,613,000) 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 2018 as all the above payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2018.

25. LITIGATION AND CONTINGENT LIABILITIES (Continued)

(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$6,630,000) by the Non-controlling Shareholder. The deposit originated from a management agreement made between Holy (Hong Kong), Non-controlling Shareholder and other parties. On the same day when the management agreement was signed, the rights and obligations of the deposit was transferred to an independent third party (the "**Assignee**") according to legal rights assignment (the "**Assignment Agreement**") entered into between Holy (Hong Kong) and Assignee. According to the Assignment Agreement, the Assignee would take custody of the deposit and is liable for the repayment of deposit on demand on completion of 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 of 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.