



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 Report 2019

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Lam Ching Kui
(Chairman and Chief Executive Officer)

NON-EXECUTIVE DIRECTOR

Dr. Lew Mon Hung
(appointed on 22 November 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ko Ming Tung, Edward
Professor Ho Kin Chung, B.B.S., J.P.
Chan Chun Wai, Tony
(appointed on 17 December 2019)

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Tse Kin Wing

COMPANY SECRETARY

Tse Kin Wing

AUDIT COMMITTEE

Chan Chun Wai, Tony
(appointed on 17 December 2019)
(Chairman)

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

REMUNERATION COMMITTEE

Ko Ming Tung, Edward *(Chairman)*
Lam Ching Kui
Professor Ho Kin Chung, B.B.S., J.P.
Chan Chun Wai, Tony
(appointed on 17 December 2019)

NOMINATION COMMITTEE

Professor Ho Kin Chung, B.B.S., J.P.
(Chairman)
Ko Ming Tung, Edward
Lam Ching Kui
Chan Chun Wai, Tony
(appointed on 17 December 2019)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13/F., Admiralty Centre 2
18 Harcourt Road, Admiralty
Hong Kong

AUDITOR

HLM CPA Limited
Certified Public Accountants
Rooms 1501-08
15/F, Tai Yau Building
181 Johnston Road
Hong Kong

SHARE REGISTRAR IN BERMUDA

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

REGISTRAR IN HONG KONG

Union Registrars Limited
Suites 3301-04
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 (the “**Board**” or “**Directors**”) of Wai Chun Group Holdings Limited (the “**Company**”) hereby presents the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018.

For the six months ended 30 September 2019, the Group recorded a turnover of approximately HK\$81,795,000 (six months ended 30 September 2018: approximately HK\$109,880,000), representing a decrease of 26% as compared with the corresponding period last year. The Group recorded a gross profit and gross profit margin of approximately HK\$2,667,000 and 3.3% respectively for the six months ended 30 September 2019, representing an increase of approximately HK\$1,283,000 and an increase of 2.0 percentage point respectively as compared with the gross profit of approximately HK\$1,384,000 and the gross margin of 1.3% for the corresponding period last year. The increase in gross margin was due to the high gross profit margin of the sales and integration services business, despite the gross profit margin on services income was similar to that of the same period last year.

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

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

BUSINESS REVIEW AND FUTURE PROSPECTS

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

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

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\$154,601,000 (31 March 2019: approximately HK\$180,242,000), comprising loans from ultimate holding company of approximately HK\$115,065,000 (31 March 2019: approximately HK\$112,592,000), amounts due to the non-controlling interests of a subsidiary of approximately HK\$33,420,000 (31 March 2019: approximately HK\$34,971,000), amount due to a director of approximately HK\$632,000 (31 March 2019: approximately HK\$537,000) and other borrowing of approximately HK\$5,484,000 (31 March 2019: approximately HK\$32,142,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except for other borrowing, the remaining borrowings are interest bearing. The Group had no assets pledged as at 30 September 2019. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 139% (31 March 2019: approximately 133.7%), representing an increase of approximately 5.3% as compared to last financial year end date. The current ratio of the Group was approximately 0.57 times (31 March 2019: approximately 0.64 times). Cash and cash equivalents of approximately HK\$6,968,000 (31 March 2019: approximately HK\$32,022,000) which are mostly denominated in Hong Kong Dollars and Renminbi. As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks.

In view of the liquidity issues of the Group, the directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

Litigation and Contingent Liabilities

During the period and up to the date of this 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 28 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

For the litigations referred in note 28(i) & (ii), the directors are of the view that they have no significant impact on the Group's financial position and its operating result for the period ended 30 September 2019 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2019. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

For the arbitral claim of deposit refund of RMB5,817,000 (approximately HK\$6,380,000) as stated in note 28(iii), as the rights and obligation of the deposit was transferred to an independent third party, having sought legal advices, the directors believe that above contingent liabilities are unlikely to materialise and no provision for liabilities in this respect has been made in the condensed consolidated financial statements accordingly.

INTERIM DIVIDEND

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

OTHER INFORMATION

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

As at 30 September 2019, 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	16,005,330,000 (Note)	74.82%

Note: Mr. Lam Ching Kui directly holds 461,944,000 shares and is the beneficial owner of Supreme Union Holdings Limited which is deemed to be interested in 15,543,386,000 shares of the company held by Ka Chun Holdings Limited (formerly known as Wai Chun Ventures Limited), a wholly-owned subsidiary of Supreme Union Holdings Limited.

Save as disclosed above, as at 30 September 2019, 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.

OTHER INFORMATION

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

As at 30 September 2019, 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
Lam Ching Kui	Interest of Controlled Corporation	Long position	16,005,330,000	74.82%
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: Ka Chun Holdings Limited, which is wholly owned by Supreme Union Holdings Limited holds 15,543,386,000 shares of the company. Mr. Lam Ching Kui, the chairman and Executive Director of the company directly holds 461,944,000 shares and is the beneficial owner of the entire issued share capital of Supreme Union Holdings Limited. Mr Lam Ching Kui is the director of Ka Chun Holdings Limited and Supreme Union Limited.

On 4 November 2019, Supreme Union transferred its holding of 100% issued share capital of Ka Chun Holdings Limited to Wai Chun Investment Fund, which is a private limited company incorporated in the Cayman Islands and also controlled by Mr. Lam. After completion of the transfer, Wai Chun Investment Fund becomes the ultimate holding company of the Company.

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 2019.

EMPLOYEES

As at 30 September 2019, 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 2019, 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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2019.

CORPORATE GOVERNANCE

During the six months ended 30 September 2019, the Company complied with all the relevant code provisions as set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except for the deviation from code provisions A.2.1 and A.4.1.

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

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

OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Ko Ming Tung, Edward and Professor Ho Kin Chung, B.B.S., J.P. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2019. The Group’s external auditor, HLM CPA Limited, has carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

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

OTHER INFORMATION

APPRECIATION

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

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

Hong Kong, 21 November 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Rooms 1501-8, 15th Floor, Tai Yau Building
 181 Johnston Road, Wanchai, Hong Kong
 香港灣仔莊士敦道181號
 大有大廈15樓1501-8室
 Tel 電話: (852) 3103 6980
 Fax 傳真: (852) 3104 0170
 Email 電郵: info@hlm.com.hk

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 13 to 52, which comprise the condensed consolidated statement of financial position as of 30 September 2019, 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2019 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to the condensed consolidated financial statements which indicate that, the Group's total liabilities exceeded its total assets by approximately HK\$180,472,000 and the Group's capital deficiency attributable to owners of the Company was approximately HK\$176,491,000 as at 30 September 2019 and the Group incurred a loss attributable to owners of the Company of approximately HK\$12,639,000 for the six months ended 30 September 2019. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the condensed consolidated financial statements, these condensed consolidated financial statements have been prepared on a going concern basis.

We also draw attention to note 28 to the condensed consolidated financial statements which describes the litigation and contingent liabilities of the Group. Our review conclusion is not qualified in respect of these matters.

HLM CPA Limited

Certified Public Accountants

Yip Yuen Nga

Practising Certificate Number: P05908

Hong Kong, 21 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Non-current assets			
Property, plant and equipment	12	3,099	2,769
Right-of-use assets	13	9,552	–
		12,651	2,769
Current assets			
Inventories	14	3,605	5,108
Trade and other receivables, prepayments and deposits	15	82,308	64,323
Contract assets	16	–	5,733
Fixed deposits	17	300	300
Bank balances and cash	17	7,541	32,651
		93,754	108,115
Current liabilities			
Trade and other payables	18	114,214	97,308
Contract liabilities	19	8,364	3,402
Borrowing	20	5,484	32,142
Amount due to a director		632	537
Amounts due to the non-controlling interests of a subsidiary	21	33,420	34,971
Lease liabilities		3,699	–
		165,813	168,360
Net current liabilities		(72,059)	(60,245)
Total assets less current liabilities		(59,408)	(57,476)
Non-current liabilities			
Loans from ultimate holding company		115,065	112,592
Lease liabilities		5,999	–
		121,064	112,592
Net liabilities		(180,472)	(170,068)
Capital and reserves			
Share capital	22	213,912	213,912
Reserves		(390,403)	(377,803)
Capital deficiency attributable to owners of the Company		(176,491)	(163,891)
Non-controlling interests	23	(3,981)	(6,177)
Capital deficiency		(180,472)	(170,068)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2019	213,912	5,000	19,680	(4,541)	(397,942)	(163,891)	(6,177)	(170,068)
(Loss) profit for the period	-	-	-	-	(12,639)	(12,639)	676	(11,963)
Other comprehensive income for the period	-	-	-	39	-	39	1,520	1,559
Total comprehensive income (expenses) for the period	-	-	-	39	(12,639)	(12,600)	2,196	(10,404)
At 30 September 2019 (unaudited)	213,912	5,000	19,680	(4,502)	(410,581)	(176,491)	(3,981)	(180,472)
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	-	-	-	-	(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 income for the period	-	-	-	871	-	871	2,094	2,965
Total comprehensive income (expenses) 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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Operating activities			
Cash generated from (used in) operations		1,679	(31,143)
Income tax paid		-	-
Net cash generated from (used in) operating activities		1,679	(31,143)
Investing activities			
Interest received		3	7
(Increase) decrease in restricted bank deposits		(2)	971
Purchase of property, plant and equipment		(810)	-
Sales proceeds of property, plant and equipment		17	-
Net cash (used in) generated from investing activities		(792)	978
Financing activities			
New borrowings raised		5,663	64,609
Repayment of borrowings		(31,126)	(36,647)
Loans from ultimate holding company		6,063	7,223
Repayment of loans from ultimate holding company		(3,590)	(21,400)
Capital element of lease rental paid		(1,764)	-
Interest element of lease rental paid		(336)	-
Net cash (used in) generated from financing activities		(25,090)	13,785
Net decrease in cash and cash equivalents		(24,203)	(16,380)
Effect of foreign exchange rate changes		(851)	15,713
Cash and cash equivalents at beginning of the period		32,022	35,148
Cash and cash equivalents at end of the period		6,968	34,481
Analysis of the balances of cash and cash equivalents			
Fixed deposits	17	300	300
Bank balances and cash	17	7,541	35,794
Less: Restricted bank deposits	17	(873)	(1,613)
		6,968	34,481

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). At 30 September 2019, the directors consider that the immediate holding company of the Company to be Ka Chun Holdings Limited, which is incorporated in the British Virgin Islands and controlled by the ultimate holding company of the Company, Supreme Union Holdings Limited (“**Supreme Union**”), which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Mr. Lam**”), who is the chairman of the Board of Directors and an executive director of the Company. On 4 November 2019, Supreme Union transferred its holding of 100% issued share capital of Ka Chun Holdings Limited to Wai Chun Investment Fund, which is a private limited company incorporated in the Cayman Islands and also controlled by Mr. Lam. After completion of the transfer, Wai Chun Investment Fund becomes the ultimate holding company of the Company. The transaction is subject to approval to be obtained from the Stock Exchange.

The Company is an investment holding company. The address of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 13/F., Admiralty Centre 2, 18 Harcourt Road, Admiralty, Hong Kong.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

The condensed consolidated financial statements were approved for issue by the Board of Directors on 21 November 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies in the Group’s audited financial statements for the year ended 31 March 2019, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2020. Details of any changes in accounting policies are set out in note 3 to the condensed consolidated financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant for the understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2019.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that the Group’s total liabilities exceeded its total assets by approximately HK\$180,472,000 and capital deficiency attributable to owners of the Company amounted to approximately HK\$176,491,000 as at 30 September 2019, and the Group incurred a loss attributable to owners of the Company of approximately HK\$12,639,000 for the six months ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. BASIS OF PREPARATION (Continued)

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

- (i) As at 30 September 2019, the Company has drawn down loans of approximately HK\$115,065,000 and undrawn loan facilities of approximately HK\$74,935,000 granted by its ultimate holding company, Supreme Union, which are provided on a subordinated basis. Supreme Union will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until all other liabilities of the Group had been satisfied. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by the previous ultimate holding company, Supreme Union, were assigned to Wai Chun Investment Fund under the same terms and conditions. Wai Chun Investment Fund became the ultimate holding company of the Company as referred to note 29 to the condensed consolidated financial statements.
- (ii) In addition to the loan facilities granted by Supreme Union as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due in the foreseeable future up to 3 November 2019. On 4 November 2019, Wai Chun Investment Fund and the ultimate controlling party have also undertaken to provide sufficient financial support to allow the Group to meet in full its future financial obligations when they fall due in the foreseeable future so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements. Also, the ultimate controlling party and his spouse agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable amounting to approximately HK\$39,569,000 until all other third parties liabilities of the Group had been satisfied.
- (iii) The Directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs.
- (iv) The Directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 the above measures. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

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

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

Definition of a lease

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

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

As a lessee

Short-term leases

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

Right-of-use assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS

16 Leases (Continued)

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

As a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

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

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

Refundable rental deposits

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS

16 Leases (Continued)

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

As a lessee (Continued)

Lease liabilities

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS

16 Leases (Continued)

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS

16 Leases (Continued)

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

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

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

³ Effective date to be determined

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

The directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30 September 2018 (unaudited)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 (unaudited)

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

At 31 March 2019 (audited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

For the 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 losses on contract assets	-	(283)	-	-	(283)

For the 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 on property, plant and equipment	3	1	18	395	417
Impairment losses on trade receivables	2,744	231	-	-	2,975
Reversal of impairment loss on other receivables	(465)	(40)	-	-	(505)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. 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 2019 (unaudited)

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

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

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 non-current assets	
	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Hong Kong	4,426	22,870	810	10
The PRC, excluding Hong Kong	86,537	79,627	-	-
	90,963	102,497	810	10

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

5. OTHER INCOME

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

6. OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Gain on disposal of property, plant and equipment	17	–
Net foreign exchange loss	(524)	(8)
	(507)	(8)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. FINANCE COSTS

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

8. TAXATION

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

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

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits in Hong Kong for the six months ended 30 September 2019 and 2018.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Loss for the period has been arrived at after charging:		
Impairment losses on trade receivables	231	2,975
Depreciation on property, plant and equipment	477	417
Depreciation on right-of-use assets	1,910	–
Staff costs (including directors' emoluments)	2,278	2,199
Impairment losses on other receivables	271	–
And after crediting:		
Bank interest income	3	7
Reversal of impairment losses on other receivables	–	505
Reversal of impairment losses on contract assets	283	–
Gain on disposal of property, plant and equipment	17	–

10. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2019 was based on the Group's loss attributable to owners of the Company of approximately HK\$12,639,000 (six months ended 30 September 2018: approximately HK\$13,657,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2018: 21,391,162,483 ordinary shares) in issue at the end of the reporting period.

Diluted loss per share

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares which is share options. No adjustment was made in calculating diluted loss per share for the six months ended 30 September 2019 and 2018 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 September 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment with a cost of HK\$810,000. Property, plant and equipment with no net book value was disposed with the gain of HK\$17,000.

13. RIGHT-OF-USE ASSETS

	30 September 2019 Unaudited HK\$'000
Initial recognition as at 1 April 2019	11,462
Depreciation	(1,910)
Carrying amount as at 30 September 2019	9,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. INVENTORIES

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Work in progress	1,721	2,682
Other consumables	1,884	2,426
	3,605	5,108

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

15. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration services/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 due within 30 to 90 days from the date of billing.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

Other receivables, prepayments and deposits mainly consist of approximately HK\$662,000 (31 March 2019: approximately HK\$662,000) for the rental and utility deposit of offices in Hong Kong and the PRC, and approximately HK\$28,358,000 (31 March 2019: approximately HK\$21,205,000) for the prepayments to suppliers for purchase of inventories. Subsequent to 30 September 2019, approximately HK\$22,921,000 (approximately RMB20,899,000) of the prepayments have been settled through delivery of goods.

The following is an ageing analysis of trade receivables net of impairment allowance presented based on the date of receipt of customers' acceptance/date of rendering services/date of invoices:

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

The Group assessed credit impaired balances individually. In addition, for noncredit 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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

Movements in the impairment allowance on trade receivables:

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

As at 30 September 2019, trade receivables of approximately HK\$219,000 (31 March 2019: approximately HK\$7,350,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and/or a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors. The aging analysis of the trade receivables which are past due but not impaired is as follows:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
0-90 days	210	7,341
91-180 days	9	9
Over 180 days	–	–
	219	7,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. CONTRACT ASSETS

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Contract assets arising from:		
Sales and services provision of integration services of computer and communication systems	–	6,035
Less: Impairment losses	–	(302)
Balance at the end of the period/year	–	5,733

The contract assets primarily relate to the Group's right to consideration for sales and services provision of integration services of computer and communication systems completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the right become unconditional.

The movements in the impairment allowance of contract assets are as follow:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
At the beginning of period/year	302	–
Allowance recognised on contract assets	–	302
Reversal of impairment losses	(283)	–
Foreign currency exchange differences	(19)	–
Balance at the end of the period/year	–	302

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. CONTRACT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 30 September 2019

Expected credit loss rate		5%
	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Gross carrying amount	-	6,035
Expected credit loss	-	302

17. FIXED DEPOSITS/BANK BALANCES AND CASH

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Fixed deposits	300	300
Cash at banks and on hand (note)	7,541	32,651
Less: Restricted bank deposits	(873)	(929)
Cash and cash equivalents in the condensed consolidated statement of cash flows	6,968	32,022

Note:

Among the bank balances of the Group, approximately HK\$873,000 (approximately RMB796,000) (31 March 2019: approximately HK\$929,000 (approximately RMB794,000)) was restrained from dealing due to the civil actions taken by the PRC claimants at 30 September 2019. For details, please refer to note 28(ii) to the condensed consolidated financial statements.

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 2019. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

18. TRADE AND OTHER PAYABLES

The average credit period on purchases ranged from 60 to 180 days. The following is an aging analysis of trade payables, presented based on the date of goods delivered/the period of service rendered/date of invoices:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Trade payables (<i>note i</i>)		
0-90 days	46,001	26,991
91-180 days	431	5,848
Over 180 days	19,354	20,640
	65,786	53,479
Other payables		
Accruals and others (<i>note ii</i>)	48,428	43,829
Total	114,214	97,308

Notes:

- (i) At 30 September 2019, trade payables of approximately RMB8,132,000 (approximately HK\$8,919,000) (31 March 2019: RMB8,132,000 (approximately HK\$9,511,000)) involved lawsuits filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"). Please refer to note 28(ii) to the condensed consolidated financial statements.
- (ii) The other payables, mainly consist of approximately HK\$33,359,000 (31 March 2019: approximately HK\$29,479,000) for the accrued rental expenses for offices in Hong Kong and the PRC, approximately HK\$7,028,000 (31 March 2019: approximately HK\$6,512,000) for the accrued salaries in Hong Kong and the PRC, approximately HK\$3,058,000 (31 March 2019: approximately HK\$3,338,000) for the VAT payables in the PRC, and approximately HK\$1,587,000 (31 March 2019: approximately HK\$1,691,000) for accrued legal and professional expenses.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

19. CONTRACT LIABILITIES

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Receipt in advance from sales	8,364	3,402

The balance of contract liabilities as at 1 April 2019 was HK\$3,402,000, in which HK\$875,000 was recognised as revenue during the period.

20. BORROWING

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

Note:

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

21. 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\$26,322,000) (31 March 2019: RMB24,000,000 (approximately HK\$28,070,000)) and the interest payable amount of RMB6,472,000 (approximately HK\$7,098,000) (31 March 2019: RMB5,332,000 (approximately HK\$6,236,000)) were involved in the lawsuit filed against a subsidiary of the Company, Beijing HollyBridge, as disclosed in note 28(i) to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

22. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 30 September 2019	89,000,000	890,000
Convertible preference shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 30 September 2019	11,000,000	110,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2018, 31 March 2019 and 30 September 2019	21,391,163	213,912

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.

23. NON-CONTROLLING INTERESTS

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Balance at beginning of the period/year (as previously recorded)	(6,177)	(5,287)
Effect of adoption of HKFRS 9	-	(596)
Balance at beginning of the period/year (as restated)	(6,177)	(5,883)
Share of profit (loss) for the period/year	676	(2,443)
Exchange realignment	1,520	2,149
Balance at end of the period/year	(3,981)	(6,177)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

24. SHARE 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.

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\$0.0184.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

24. SHARE OPTIONS (Continued)

At 31 March 2019 and 30 September 2019, the number of shares issuable 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.

Movements of the Company's share options held by consultants and an employee during the period ended 30 September 2019 are set out below:

Category of participants	At 1 April 2019	Granted	Exercised	At 30 September 2019	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	0.037	-	-	0.037			

25. COMMITMENTS

Operating lease commitments

The Group as lessee

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

26. 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	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Rental expenses to:		
Ms. Chan (<i>note i</i>)	2,100	2,100
Wai Chun Holdings Group Limited (<i>note ii</i>)	–	1,780
Interest expenses on lease liabilities to:		
Ms. Chan (<i>note v</i>)	336	–
Interest expenses payable to:		
Ultimate holding company (<i>note iii</i>)	3,492	2,911
Non-controlling interest of a subsidiary	647	681

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

26. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

	30 September 2019 Unaudited HK'000	31 March 2019 Audited HK'000
Rental expenses payable to:		
Ms. Chan (<i>note i</i>)	–	16,200
Wai Chun Holdings Group Limited (<i>note ii</i>)	15,059	13,279
Lease liabilities (<i>note v</i>)	9,698	–
Amount due to the non-controlling interests of a subsidiary (<i>note 21</i>)	33,420	34,971
Loans from ultimate holding company (<i>note iv</i>)	115,065	112,592
Amount due to a director	632	537
Salary payable to a director	4,605	4,605
Salary payable to Ms. Chan (<i>note i</i>)	973	973

Notes:

- (i) The Group's operating lease agreements with Ms. Chan Oi Mo ("**Ms. Chan**"), who is the spouse of Mr. Lam, a director of the Company.
- (ii) Wai Chun Holdings Group Limited, which 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 arose from loans from the ultimate holding company, Supreme Union. As disclosed in note 1 to the condensed consolidated financial statements, Wai Chun Investment Fund is the ultimate holding company of the Company from 4 November 2019. By way of an assignment of loan agreement dated 4 November 2019, the outstanding loan amount and loan facilities granted by the previous ultimate holding company, Supreme Union, were assigned to Wai Chun Investment Fund under the same terms and conditions.
- (iv) The loans from the ultimate holding company are unsecured, interest bearing and not repayable within one year.
- (v) The Group entered into a three-year lease in respect of certain leasehold properties from Ms. Chan. The amount of rent payable by the Group under the lease is HK\$350,000 per month. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of approximately HK\$11,462,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

26. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(c) Key management personnel compensation

Remuneration for key management personnel is as follows:

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Directors' fee	290	259
Basic salaries, other allowance and benefit in kind	—	—
Retirement benefits scheme contributions	—	—
	290	259

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 parties transactions.

27. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their respective fair value.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

There have been no changes in the risk management policies since 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

28. LITIGATION AND CONTINGENT LIABILITIES

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

The non-controlling shareholder of Beijing HollyBridge (the “**Non-controlling Shareholder**”) had advanced RMB24,000,000 (approximately HK\$26,322,000) to Beijing HollyBridge during the period from June 2013 to February 2015. The amount due has been recognised as liability in the condensed consolidated financial statements at the relevant time. The amount due is unsecured, repayable on demand and bearing interest at prevailing interest rate since 1 April 2014.

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

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

The directors of the Company consider that no further provision is required as the principal, interest and related legal costs incurred during the year have already been recorded as liabilities in note 21 to the condensed consolidated financial statements. Since the judgement has been concluded, the directors of the Company believe that additional legal costs are unlikely to be incurred. As such, no provision for additional liabilities in this respect has been made in the condensed consolidated financial statements.

(ii) Litigations/Mediations with suppliers

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

28. LITIGATION AND CONTINGENT LIABILITIES (Continued)

(iii) Deposit refund of RMB5,817,000 (approximately HK\$6,380,000)

During the year ended 31 March 2017, an arbitral claim against a subsidiary of the Company, Holy (Hong Kong) Universal Limited (the “**Holy (Hong Kong)**”) was filed for refund of a management deposit of RMB5,817,000 (approximately HK\$6,380,000) by the Non-controlling Shareholder. The deposit originated from a management agreement made between Holy (Hong Kong), the Non-controlling Shareholder and other parties. On the same day when the management agreement was signed, the rights and obligations of the deposit was transferred to an independent third party (the “**Assignee**”) according to legal rights assignment (the “**Assignment Agreement**”) entered into between Holy (Hong Kong) and the Assignee. According to the Assignment Agreement, the Assignee would take custody of the deposit and is liable for the repayment of deposit on demand on completion of the obligations under the management agreement. The Assignee has not made the payment as required and as a result Holy (Hong Kong)’s 51% of the equity interests in Beijing HollyBridge has been frozen. In the opinion of the directors of the Company, in case when the Assignee defaults to repay, Holy (Hong Kong) may be obligated to make the deposit refund and able to take legal action against the Assignee.

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

29. EVENT AFTER THE REPORTING PERIOD

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