



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 2020

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Lam Ching Kui
(Chairman and Chief Executive Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ko Ming Tung
(resigned on 3 November 2020)
Wang Wei
(appointed on 3 November 2020)
Chan Chun Wai, Tony
(resigned on 6 November 2020)
Chan Wai Dune
(appointed on 11 November 2020)
Chen Dairong

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Chiu Chun Tak
(appointed on 10 August 2020)
So Wing Fat
(resigned on 10 August 2020)

COMPANY SECRETARY

Chiu Chun Tak
(appointed on 10 August 2020)
So Wing Fat
(resigned on 10 August 2020)

AUDIT COMMITTEE

Chan Wai Dune *(Chairman)*
(appointed on 11 November 2020)
Ko Ming Tung
(resigned on 3 November 2020)
Wang Wei
(appointed on 3 November 2020)
Chan Chun Wai, Tony
(resigned on 6 November 2020)
Chen Dairong

REMUNERATION COMMITTEE

Wang Wei *(Chairman)*
(appointed on 3 November 2020)
Ko Ming Tung
(resigned on 3 November 2020)
Chan Chun Wai, Tony
(resigned on 6 November 2020)
Chan Wai Dune
(appointed on 11 November 2020)
Chen Dairong

NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*
Ko Ming Tung
(resigned on 3 November 2020)
Wang Wei
(appointed on 3 November 2020)
Chan Chun Wai, Tony
(resigned on 6 November 2020)
Chan Wai Dune
(appointed on 11 November 2020)
Chen Dairong

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

CORPORATE INFORMATION

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

BUSINESS REVIEW AND FUTURE PROSPECTS

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

During the period under review, the adverse impact of the COVID-19 pandemic on the constraint and restriction of the Group to provide integration services of computer and communication system services to meet with its customers' orders during the first half of 2020. As a result, the business from provision of integration services of computer and communication system and the business of design, consultation and production of information system software recorded segment losses of approximately HK\$69,000 and HK\$69,000 respectively (six months ended 30 September 2019: Segment profit of approximately HK\$1,671,000 and HK\$356,000 respectively).

Looking forward, to turn the Group to an improved position, the Company (i) will enhance operational efficiency by removing duplication and bottlenecks through standardisation of work procedures and simplification of operation process and; (ii) will further tighten its budgetary control by vigorously implementing measures for cost and expense control, optimising cost analysis and appraisal mechanism, and constantly strengthening cost management. In addition, the Group is monitoring closely the latest trends and the development of the global economy and to take advantage of all business opportunities. The Group expect the turnover from sales and integration services business will gradually recover in second half year of 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES AND LIQUIDITY

Total debts of the Group amounted to approximately HK\$254,949,000 (31 March 2020: approximately HK\$179,141,000), mainly comprising convertible notes of approximately HK\$153,042,000 (31 March 2020: Nil), loans from third parties of approximately HK\$23,472,000 (31 March 2020: Nil), loans from ultimate holding company of approximately HK\$11,460,000 (31 March 2020: approximately HK\$121,460,000), amounts due to the non-controlling interests of a subsidiary of approximately HK\$36,079,000 (31 March 2020: approximately HK\$33,984,000), amount due to a significant shareholder of approximately HK\$7,160,000 (31 March 2020: Nil) and other borrowing of approximately HK\$17,119,000 (31 March 2020: approximately HK\$10,948,000). All the above-mentioned borrowings are denominated in Hong Kong Dollars and Renminbi. Except for other borrowing, the remaining borrowings are interest bearing. The Group had no assets pledged as at 30 September 2020. The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 219.5% (31 March 2020: approximately 188.4%), representing an increase of approximately 31.1% as compared to last financial year end date. The current ratio of the Group was approximately 0.81 times (31 March 2020: approximately 0.50 times). Cash and cash equivalents of approximately HK\$26,137,000 (31 March 2020: approximately HK\$12,008,000) which are mostly denominated in Hong Kong Dollars and Renminbi. As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks.

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

Litigation and Contingent Liabilities

During the period and up to the date of the 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, the directors are of the view that they have no significant impact on the Group's financial position and its operating result for the period ended 30 September 2020 as all the above amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2020. Moreover, the Company shall utilise the shareholder's loan facilities or exercise other methods to obtaining financing to the Group, including but not limited to share placement or loan capitalisation when necessary.

INTERIM DIVIDEND

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

OTHER INFORMATION

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

As at 30 September 2020, 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	15,928,196,000 <i>(Note)</i>	74.46%

Note: Mr. Lam Ching Kui directly holds 384,810,000 shares and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 15,543,386,000 shares of the company held by Ka Chun Holdings Limited, a wholly-owned subsidiary of Wai Chun Investment Fund.

Save as disclosed above, as at 30 September 2020, 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 2020, 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 Director	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	15,928,196,000	74.46%
Ka Chun Holdings Limited	Beneficial owner	Long position	15,543,386,000	72.66%
Wai Chun Investment Fund	Interests of controlled corporation	Long position	15,543,386,000 (Note)	72.66%

Note: Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund holds 15,543,386,000 shares of the company. Mr. Lam Ching Kui, the chairman and Executive Director of the company directly holds 384,810,000 shares and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Mr Lam Ching Kui is the director of Ka Chun Holdings Limited and Wai Chun Investment Fund.

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 2020.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 25 September 2015 (“**Share Option Scheme**”). Particulars of the Share Option Scheme and movements of the Company’s share options during the period are set out in note 22 to the condensed consolidated financial statements.

EMPLOYEES

As at 30 September 2020, the Group had a total of 15 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.

OTHER INFORMATION

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2020, 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 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2020.

CORPORATE GOVERNANCE

During the six months ended 30 September 2020, the Company complied with all the relevant code provisions as set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules except for the deviation from code provisions A.2.1 and A.4.1.

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

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.

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

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

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, 26 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Non-current assets			
Property, plant and equipment	12	2,257	2,673
Right-of-use assets		6,377	7,681
		8,634	10,354
Current assets			
Inventories	13	8,435	8,450
Trade and other receivables, prepayments and deposits	14	61,155	56,731
Fixed deposits	15	300	300
Bank balances and cash	15	25,837	12,576
		95,727	78,057
Current liabilities			
Trade and other payables	16	59,240	99,927
Contract liabilities	17	2,097	2,011
Borrowing	18	17,119	10,948
Lease liabilities due to a related party		4,320	8,016
Amount due to a director		–	672
Amount due to the non-controlling interests of a subsidiary	19	36,079	33,984
		118,855	155,558
Net current liabilities		(23,128)	(77,501)
Total assets less current liabilities		(14,494)	(67,147)
Non-current liabilities			
Amount due to a significant shareholder		7,160	–
Convertible notes – liability portion, unsecured		122,116	–
Convertible notes – embedded derivatives, unsecured		30,926	–
Loans from ultimate holding company		11,460	121,460
Loans from third parties		23,472	–
Lease liabilities due to a related party		2,297	4,061
		197,431	125,521
Net liabilities		(211,925)	(192,668)
Capital and reserves			
Share capital	20	213,912	213,912
Reserves		(422,354)	(404,371)
Capital deficiency attributable to owners of the Company		(208,442)	(190,459)
Non-controlling interests	21	(3,483)	(2,209)
Capital deficiency		(211,925)	(192,668)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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 2020	213,912	5,000	19,680	(3,015)	(426,036)	(190,459)	(2,209)	(192,668)
Loss for the period	-	-	-	-	(17,758)	(17,758)	(378)	(18,136)
Other comprehensive income for the period	-	-	-	(225)	-	(225)	(896)	(1,121)
Total comprehensive expenses for the period	-	-	-	(225)	(17,758)	(17,983)	(1,274)	(19,257)
At 30 September 2020 (unaudited)	213,912	5,000	19,680	(3,240)	(443,794)	(208,442)	(3,483)	(211,925)
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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Notes	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Operating activities			
Cash generated from operations		1,941	1,679
Income tax paid		-	-
Net cash generated from operating activities		1,941	1,679
Investing activities			
Interest received		2	3
Decrease (increase) in restricted bank deposits		878	(2)
Purchase of property, plant and equipment	12	(6)	(810)
Sales proceeds of property, plant and equipment		-	17
Payment of rental deposit		(8)	-
Net cash generated from (used in) investing activities		866	(792)
Financing activities			
New borrowings raised		16,602	5,663
Repayment of borrowings		(11,068)	(31,126)
Loans from ultimate holding company		12,610	6,063
Repayment of loans from ultimate holding company		(750)	(3,590)
Capital element of lease rental paid		(6,300)	(1,764)
Interest element of lease rental paid		-	(336)
Net cash generated from (used in) financing activities		11,094	(25,090)
Net increase/(decrease) in cash and cash equivalents		13,901	(24,203)
Effect of foreign exchange rate changes		228	(851)
Cash and cash equivalents at beginning of the period		12,008	32,022
Cash and cash equivalents at end of the period		26,137	6,968
Analysis of the balances of cash and cash equivalents			
Fixed deposits	15	300	300
Bank balances and cash	15	25,837	7,541
Less: Restricted bank deposits		-	(873)
		26,137	6,968

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). At 30 September 2020, the directors consider that the immediate holding company of the Company to be Ka Chun Holdings Limited, which is incorporated in the British Virgin Islands and controlled by the ultimate holding company of the Company, Wai Chun Investment Fund (“**Wai Chun IF**”), which is a private limited company incorporated in the Cayman Islands. Its ultimate controlling party is Mr. Lam Ching Kui (“**Mr. Lam**”), who is the chairman of the Board of Directors and an executive director of the Company.

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

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

The condensed consolidated financial statements were approved for issue by the Board of Directors on 26 November 2020.

2. BASIS OF PREPARATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2. BASIS OF PREPARATION (Continued)

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies in the Group's audited financial statements for the year ended 31 March 2020, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ending 31 March 2021. Details of any changes in accounting policies are set out in note 3 to 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 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2020.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that the Group's total liabilities exceeded its total assets by approximately HK\$211,925,000 and capital deficiency attributable to owners of the Company amounted to approximately HK\$208,442,000 as at 30 September 2020, and the Group incurred a loss attributable to owners of the Company of approximately HK\$17,758,000 for the six months ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020, the Company has drawn down loans of approximately HK\$11,460,000 and undrawn loan facilities of approximately HK\$23,540,000 granted by its ultimate holding company, Wai Chun IF. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until 31 December 2021.
- (ii) In addition to the loan facilities granted by Wai Chun IF as stated above, the ultimate controlling party has also undertaken to provide adequate funds to enable the Group to satisfy its existing operation requirement and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements. Also, the ultimate controlling party, his spouse and companies controlled by them agreed not to request the Group, whenever necessary, to settle the related parties balances recorded in other payable and lease liabilities due to a related party amounting to approximately HK\$5,656,000 and HK\$6,617,000 respectively due to them until all other third parties liabilities of the Group had been satisfied.
- (iii) The Directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including fund raising opportunities, closely monitoring the general administrative expenses and operating costs.
- (iv) The Directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

The Directors have reviewed the cash flow projection of the Group for the next twelve months from the reporting date after taking into account the impact of the above measures. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its existing operation and other financing obligations as and when they fall due in the next twelve months from reporting date, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

2. BASIS OF PREPARATION (Continued)

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of the new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020.

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

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

The application of the Amendment to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies in conformity with HKFRSs, that are regularly reviewed by the executive director of the Company, being the Chief Operating Decision Maker (the “**CODM**”) of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Business segments

The CODM regularly reviews revenue and operating results derived from three operating divisions – sales and integration services, services income and general trading. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 (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	-	-	64,797	64,797
Recognised over time	-	-	-	-
Reportable segment revenue from external customers	-	-	64,797	64,797
Reportable segment results	(69)	(69)	(271)	(409)
Unallocated corporate income				-
Unallocated corporate expenses				(10,671)
Finance costs				(7,056)
Loss before taxation				(18,136)
Taxation				-
Loss for the period				(18,136)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30 September 2019 (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	–	–	39,326	39,326
Recognised over time	39,661	2,808	–	42,469
Reportable segment revenue from external customers	39,661	2,808	39,326	81,795
Reportable segment results	1,671	356	(632)	1,395
Unallocated corporate income				154
Unallocated corporate expenses				(9,037)
Finance costs				(4,475)
Loss before taxation				(11,963)
Taxation				–
Loss for the period				(11,963)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 (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>
Segment assets	23,010	6,851	58,048	87,909
Unallocated assets				16,452
Consolidated assets				104,361
Segment liabilities	48,983	14,584	47,991	111,558
Unallocated liabilities				204,728
Consolidated liabilities				316,286

At 31 March 2020 (audited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

Six months ended 30 September 2020 (unaudited)

	Sales and integration services <i>HK\$'000</i>	Services income <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition to property, plant and equipment	-	-	-	6	6
Depreciation on property, plant and equipment	-	-	-	(423)	(423)
Addition to right-of-use assets	-	-	755	-	755
Depreciation on right-of-use assets	-	-	(2,078)	-	(2,078)
Impairment losses on other receivables	(383)	(383)	-	-	(766)

Six months ended 30 September 2019 (unaudited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

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

The following is an analysis of the revenue from external customers and non-current assets, analysed by the geographical area in which the assets are located.

	Revenue from external customers		Non-current assets	
	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Hong Kong	4,369	11,264	8,599	10,320
The PRC, excluding Hong Kong	60,428	123,491	35	34
	64,797	134,755	8,634	10,354

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. OTHER INCOME

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

6. OTHER GAINS OR LOSSES

	Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Gain on disposal of property, plant and equipment	-	17
Net foreign exchange loss	-	(524)
	-	(507)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

7. FINANCE COSTS

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

8. TAXATION

	Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 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 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. TAXATION (Continued)

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. No provision for PRC Enterprise Income Tax had been made as the Group had no assessable profit in the PRC for the six months ended 30 September 2020. No provision for PRC Enterprise Income Tax had been made as the Group has unused tax losses for offsetting against assessable profits in the PRC for the six months ended 30 September 2019.

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

9. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Loss for the period has been arrived at after charging:		
Impairment losses on trade receivables	-	231
Depreciation on property, plant and equipment	423	477
Depreciation on right-of-use assets	2,078	1,910
Staff costs (including directors' emoluments)	3,544	2,278
Impairment losses on other receivables	-	271
And after crediting:		
Bank interest income	2	3
Reversal of impairment losses on other receivables	766	-
Reversal of impairment loss on contract assets	-	283
Gain on disposal of property, plant and equipment	-	17

10. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2020 was based on the Group's loss attributable to owners of the Company of approximately HK\$17,758,000 (six months ended 30 September 2019: approximately HK\$12,639,000) and 21,391,162,483 ordinary shares (six months ended 30 September 2019: 21,391,162,483 ordinary shares) in issue at the end of the reporting period.

Diluted loss per share

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

The Company has dilutive potential ordinary shares which is share options. No adjustment was made in calculating diluted loss per share for the six months ended 30 September 2020 and 2019 as the exercise of share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 September 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment with a cost of approximately HK\$6,000 (2019: approximately HK\$810,000) and approximately HK\$423,000 (2019: approximately HK\$477,000) of depreciation was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

13. INVENTORIES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Work in progress	5,824	6,115
Other consumables	2,611	2,335
	8,435	8,450

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

According to the contracts entered into with trade customers of sales and integration services, and services income, on average the contracts revenue is normally collected within 90 days from the date of receipt of customers' acceptance/date of rendering services, except for certain contracts with longer implementation schedules where the credit period may extend beyond 90 days, or may be extended for major or specific customers. The credit terms granted to trade customers in respect of sales of general trading of mobiles and electronic components and chemicals are within 0-90 days from the date of billing.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

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

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

Movements in the impairment allowance on trade receivables:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

As at 30 September 2020, trade receivables of approximately HK\$30,821,000 (31 March 2020: approximately HK\$27,321,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default and/or a substantial portion of the carrying amount is subsequently settled. The Group does not hold any collateral as security over these debtors. The aging analysis of the trade receivables which are past due but not impaired is as follows:

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

15. FIXED DEPOSITS/BANK BALANCES AND CASH

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Fixed deposits	300	300
Cash at banks and on hand	25,837	12,576
Less: Restricted bank deposits	–	(868)
Cash and cash equivalents in the condensed consolidated statement of cash flows	26,137	12,008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. TRADE AND OTHER PAYABLES

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

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

Notes:

- (i) At 30 September 2020, trade payables of RMB8,132,000 (approximately HK\$9,281,000) (31 March 2020: RMB8,132,000 (approximately: HK\$8,903,000)) involved lawsuits filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited ("**Beijing HollyBridge**"). Please refer to note 25.

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 2020

17. CONTRACT LIABILITIES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Receipt in advance from sales	2,097	2,011

18. BORROWING

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

Note:

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

19. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020 and 30 September 2020	89,000,000	890,000
Convertible preference shares of HK\$0.01 each at 1 April 2019, 31 March 2020 and 30 September 2020	11,000,000	110,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2019, 31 March 2020 and 30 September 2020	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.

21. NON-CONTROLLING INTERESTS

	30 September 2020 Unaudited <i>HK\$'000</i>	31 March 2020 Audited <i>HK\$'000</i>
Balance at beginning of the period/year	(2,209)	(6,177)
Share of (loss) profit for the period/year	(378)	2,427
Exchange realignment	(896)	1,541
Balance at end of the period/year	(3,483)	(2,209)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

22. 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 2020

22. SHARE OPTIONS (Continued)

Equity-settled share option scheme (Continued)

At 31 March 2020 and 30 September 2020, 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 2020 are set out below:

Category of participants	At 1 April 2020	Granted	Exercised	At		Exercise period	Exercise price HK\$
				30 September 2020	Date of grant		
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			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Rental expenses to: Ms. Chan (<i>note i</i>)	2,100	2,100
Interest expenses on lease liabilities to: Ms. Chan (<i>note v</i>)	–	336
Interest expenses payable to: Ultimate holding company (<i>note iii</i>)	870	3,492
Non-controlling interest of a subsidiary	633	647
Related party	4,126	–
Significant shareholder	145	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

23. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Rental expenses payable to:		
Ms. Chan (<i>note i</i>)	-	16,200
Wai Chun Holdings Group Limited (<i>note ii</i>)	-	17,229
Lease liabilities due to Ms. Chan (<i>note v</i>)	6,617	12,077
Amount due to the non-controlling interests of a subsidiary (<i>note 19</i>)	36,079	33,984
Loans from ultimate holding company (<i>note iv</i>)	11,460	121,460
Amount due to a director	-	672
Amount due to a significant shareholder	7,160	-
Salary payable to a director	-	7,208
Salary payable to Ms. Chan (<i>note i</i>)	-	973
Salary payable to Mr. Lam Ka Chun (<i>note vi</i>)	-	228

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, Wai Chun IF. 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.
- (vi) Mr. Lam Ka Chun is the son of Mr. Lam, a director of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Directors' fee	180	290
Basic salaries, other allowance and benefit in kind	-	-
Retirement benefits scheme contributions	-	-
	180	290

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.

24. 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 2020.

There have been no changes in the risk management policies since 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

25. LITIGATION AND CONTINGENT LIABILITIES

Litigations/Mediations with suppliers

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

The directors of the Company are of the view that the litigations/mediations have no significant impact on the Group's financial position and its operating result for the six months ended 30 September 2020 as all the above payable amounts have already been recorded in the condensed consolidated financial statements as at 30 September 2020.

26. EVENT AFTER THE REPORTING PERIOD

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

26. EVENT AFTER THE REPORTING PERIOD (Continued)

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

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