



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 **2021**

* for identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Lam Ching Kui
(Chairman and Chief Executive Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Wai Dune
Wang Wei
Chen Dairong
(resigned on 12 October 2021)

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Tse Ho Lun Robin
(appointed on 5 November 2021)
Ng Chun Pang
*(appointed on 5 May 2021 and
resigned on 10 May 2021)*
Chiu Chun Tak
(resigned on 30 April 2021)

COMPANY SECRETARY

Tse Ho Lun Robin
(appointed on 5 November 2021)
Ng Chun Pang
*(appointed on 5 May 2021 and
resigned on 10 May 2021)*
Chiu Chun Tak
(resigned on 30 April 2021)

AUDIT COMMITTEE

Chan Wai Dune *(Chairman)*
Wang Wei
Chen Dairong
(resigned on 12 October 2021)

REMUNERATION COMMITTEE

Wang Wei *(Chairman)*
Lam Ching Kui
Chan Wai Dune
Chen Dairong
(resigned on 12 October 2021)

NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*
Wang Wei
Chan Wai Dune
Chen Dairong
(resigned on 12 October 2021)

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, 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

The Group is principally engaged in (i) general trading (the “**General Trading Business**”); (ii) sales and integration services of computer and communication system (the “**Sales and Integration Services Business**”); and (iii) the provision of solution services for information system and telecommunications infrastructure and management training services (the “**Services Income Business**”).

GENERAL TRADING BUSINESS

The Group's General Trading Business is the major revenue segment during the six months ended 30 September 2021. Revenue is generated from trading of mobiles, electronic components, plastic resins, chemicals and agricultural products. The Group has been actively seeking new customers.

SALES AND INTEGRATION SERVICES BUSINESS

The business are mainly the sales and provision of information technology (“**IT**”) solutions implementation and application software development; provision of IT and related operation/ infrastructure outsourcing services; and provision of design, implementation and ongoing support services for IT systems and network infrastructure.

SERVICE INCOME BUSINESS

The Group provides design and consultation for information system and management training services. The Group also provides auxiliary and valued added services to customers who have purchased our integration services of computer and communication systems.

During the six months ended 30 September 2021, the Group's business was still affected by the pandemic. The Group will continue to keep an eye on the pandemic and the market development and carry out timely adjustments to minimise the adverse impacts.

FINANCIAL PERFORMANCE

For the six months ended 30 September 2021, the Group recorded a turnover of approximately HK\$124,994,000 (six months ended 30 September 2020: approximately HK\$64,797,000), representing an increase of 93% as compared with the corresponding period last year. The significant increase in turnover was mainly due to the revival of the sales and integration services business because of the recovery from the impact of COVID-19, and the Group has expanded the general trading in agricultural products since the second half year of 2021. The sales and integration service business achieved a turnover of approximately HK\$41,238,000 and the general trading segment revenue by trading agricultural products recorded approximately HK\$27,031,000, whereas no turnover on sales and integration services business and general trading in agricultural products in corresponding period last year. The Group recorded a gross profit of approximately HK\$279,000 for the six months ended 30 September 2021, representing an increase of approximately HK\$75,000 as compared with the gross profit of approximately HK\$204,000 for the corresponding period last year. The low gross margin was due to the keen competition of the general trading business.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses decreased by 14.2% to approximately HK\$10,394,000 for the six months ended 30 September 2021 from approximately HK\$12,118,000 for the corresponding period last year, which resulted from the success of a tighter cost control. Finance costs increased by 144% to approximately HK\$17,214,000 for the six months ended 30 September 2021 from approximately HK\$7,056,000 for the corresponding period last year. The increase was mainly due to the interest expenses for the convertible bonds incurred.

The Group recorded a loss attributable to owners of the Company of approximately HK\$26,866,000 for the six months ended 30 September 2021 (for the six months ended 30 September 2020: approximately HK\$17,758,000).

FINANCIAL RESOURCES AND LIQUIDITY

Total debts of the Group amounted to approximately HK\$137,101,000 (31 March 2021: approximately HK\$127,815,000), mainly comprising convertible notes of approximately HK\$96,634,000 (31 March 2021: HK\$83,953,000), loans from ultimate holding company of approximately HK\$16,011,000 (31 March 2021: approximately HK\$7,498,000), amount due to a director (“**Director**”) of approximately HK\$17,802,000 (31 March 2021: HK\$6,918,000), lease liabilities of approximately HK\$6,654,000 (31 March 2021: approximately HK\$10,462,000) and borrowing of nil (31 March 2021: approximately HK\$18,984,000). Details of the borrowing, loans from ultimate holding company and convertible bonds are set out in Note 18, 19 and 20.

The Group financed its business principally with internally generated funds and the loan facilities granted by its ultimate holding company and its associates. Details of the facilities are set out in Note 2.

The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 114.2% (31 March 2021: approximately 68.9%). The current ratio of the Group was approximately 1.08 times (31 March 2021: approximately 1.00 times). As at 30 September 2021, the Group had cash and cash equivalents amounting to approximately HK\$5,351,000 (31 March 2021: approximately HK\$19,705,000) which are mostly denominated in Hong Kong Dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY RISK

The Group's sales and purchases for the six months ended 30 September 2021 were mostly denominated in Renminbi. The Renminbi is not a freely convertible currency. Future exchange rates of the Renminbi could vary significantly from the current or historical exchange rates as a result of capital controls that could be imposed by the Government of the People's Republic of China (the "PRC"). The exchange rates may also be affected by economic developments and political changes both domestically and internationally, and the demand and supply of the Renminbi. The appreciation or depreciation of the Renminbi against Hong Kong dollars may have an impact on the Group's results. The Group will continue to take proactive measures and closely monitor its exposure to any currency movements. The Group has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.

CAPITAL EXPENDITURE AND COMMITMENTS

There were no material capital commitments for the Group as at 30 September 2021.

CHARGE ON ASSETS

There was no charge on the Group's assets as at 30 September 2021.

CONTINGENT LIABILITIES

There were no material contingent liabilities for the Group as at 30 September 2021.

FUTURE PROSPECTS

During the period under review, the management continued to devote its effort to enhance the operational efficiency of the Sales and Integration Services Business and Services Income Business through stringent project selection and tighter cost control measures. On the other hand, the Group strived for a new business into trading of agricultural products since the second half of year in 2021.

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.

INTERIM DIVIDEND

The board resolved not to declare an interim dividend for the six months ended 30 September 2021 (30 September 2020: Nil).

OTHER INFORMATION

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

As at 30 September 2021, 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 8 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	Beneficial owner	Long position	38,481,000	1.80%
	Interest of controlled corporations	Long position	1,554,338,600 (Note)	72.66%

Note: Mr. Lam Ching Kui directly holds 38,481,000 shares and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in 1,554,338,600 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 2021, none of the Directors or chief executive of the Company or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”)) 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), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; 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 2021, so far as the Directors or chief executive of the Company are aware, 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 Shareholders	Nature of Interest	Long position/ Short position	Number of ordinary shares	Approximate percentage of shareholding in the Company
Lam Ching Kui	Beneficial owner	Long position	38,481,000	1.80%
	Interests of controlled corporation	Long position	1,554,338,600 <i>(Note)</i>	72.66%
Ka Chun Holdings Limited	Beneficial owner	Long position	1,554,338,600 <i>(Note)</i>	72.66%
Wai Chun Investment Fund	Interests of controlled corporation	Long position	1,554,338,600 <i>(Note)</i>	72.66%

Note: Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund holds 1,554,338,600 shares of the company. Mr. Lam Ching Kui, the chairman and Executive Director of the company directly holds 38,481,000 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 2021.

OTHER INFORMATION

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 its discretion, invite executive or non-executive Directors, employee (whether full-time or part-time), chief executive, substantial shareholder, consultant, professional and other advisers to take up options. The purpose is to provide incentives or rewards and recognise the contribution of such eligible persons to the growth of the Group.

The subscription price of the Share Option Scheme will be a price not less than 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 (i.e. 213,911,624 ordinary shares after the share consolidation on 25 November 2020). 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.

All the options granted were lapsed on 14 January 2021 and there were no options outstanding as at 30 September 2021.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2021, 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.

OTHER INFORMATION

MATERIAL ACQUISITION AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2021.

SIGNIFICANT INVESTMENTS AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report and the announcement dated 23 November 2021 regarding the trust agreement in relation to artworks, the Group did not have any significant investments or any other plans for material investments or capital assets as at 30 September 2021.

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 2021.

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 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 2021.

CORPORATE GOVERNANCE

During the six months ended 30 September 2021, 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 being independent non-executive Directors.

OTHER INFORMATION

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES

In accordance with the requirements of rules 13.20 of Chapter 13 of the Listing Rules, the following were the details of the provision of advances by the Group to an entity:

Included in the other receivables of approximately RMB21,318,000 (approximately HK\$25,840,000) represented a deposit (the “**Deposit**”) paid to Guangzhou Wanming Investment Management Company Limited (廣州萬明投資管理有限公司) (“**Wanming**”), a company incorporated in Mainland China with limited liability and 100% equity interest directly held by Mr. Wan Lianquan who is an independent third party.

Wanming sources artworks through private contact with collectors and sellers and distribute catalogues of calligraphy and painting to the Group for purchase. Wanming also provides complimentary authentication services before it delivers calligraphy and painting for the Group’s acceptance. Wanming will charge 6% of the transaction value of calligraphy and painting as service charge.

The Deposit will be (i) offset to the price of calligraphy and painting and service charge; (ii) and be refundable at the request of the Group with a written notice of two weeks or no calligraphy and painting collection is delivered until the end of March 2022.

Further details are set out in the Company’s announcement dated 23 November 2021.

PROVISION OF INFORMATION IN RESPECT OF AND BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE UNDER RULE 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors, supervisors and chief executive since the date of the Group’s 2021 annual report are set out below:

Mr. Chiu Chun Tak resigned as the chief financial officer, company secretary and authorised representative of the Company on 30 April 2021.

Mr. Ng Chun Pang was appointed as the chief financial officer, company secretary and authorised representative of the Company on 5 May 2021 and resigned on 10 May 2021.

Ms. Chen Dairong (“**Ms. Chen**”) resigned as the independent non-executive Director and ceased to be the members of the audit committee (the “**Audit Committee**”), nomination committee and remuneration committee of the Company on 12 October 2021.

OTHER INFORMATION

Mr. Tse Ho Lun Robin was appointed as the company secretary and authorised representative of the Company on 5 November 2021.

Following the resignation of Ms. Chen, there is a vacancy in the position of the member of the Audit Committee and the Company only has two independent non-executive Directors, thus the number of members of independent non-executive Directors and the Audit Committee falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules.

The Board will identify an appropriate person to fill the vacancy within three months from the date of resignation of Ms. Chen 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.

AUDIT COMMITTEE

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

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

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Chan Wai Dune (Chairman) and Dr. Wang Wei. The Audit Committee has reviewed the unaudited interim financial results of the Group for the six months ended 30 September 2021.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

On 15 October 2021, the Company and the bond holders of the unsecured convertible bond with principal amount of HK\$152,000,000 issued on 31 August 2020 (the “**CB1**”) and HK\$23,480,000 issued on 30 November 2020 (the “**CB2**”) have agreed to amend the terms of the CB1 and CB2. Details of the alternation of terms are set out in the Company’s announcement dated 15 October 2021 and circular dated 9 December 2021.

On 21 October 2021, the Company entered into the subscription Agreement with Ka Chun Holdings Limited (“**Ka Chun**”) (a connected person of the Company) pursuant to which Ka Chun conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$42,700,000 (the “**CB3**”). Details of the subscription agreement and the CB3 are set out in the Company’s announcement date 21 October 2021 and circular dated 9 December 2021.

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, 15 October 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

	Notes	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Revenue	4	124,994	64,797
Cost of sales		(124,715)	(64,593)
Gross profit		279	204
Other income	5	31	68
Reversal of impairment losses on other receivables		–	766
Administrative expenses		(10,394)	(12,118)
Finance costs	6	(17,214)	(7,056)
Loss before taxation		(27,298)	(18,136)
Income tax expenses	7	–	–
Loss for the period	8	(27,298)	(18,136)
Loss attributable to:			
– Owners of the Company		(26,866)	(17,758)
– Non-controlling interests		(432)	(378)
		(27,298)	(18,136)
		HK cents	HK cents (Restated)
Loss per share			
– Basic and diluted	10	(1.26)	(0.83)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Loss for the period	(27,298)	(18,136)
Other comprehensive expense: <i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(397)	(1,120)
Other comprehensive expense, net of tax	(397)	(1,120)
Total comprehensive expense for the period	(27,695)	(19,256)
Total comprehensive expense for the period attributable to:		
– Owners of the Company	(27,237)	(17,982)
– Non-controlling interests	(458)	(1,274)
	(27,695)	(19,256)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Notes	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Non-current assets			
Property, plant and equipment	11	1,442	1,865
Right-of-use assets	12	6,216	10,215
		7,658	12,080
Current assets			
Inventories	13	2,137	2,155
Trade and other receivables, prepayments and deposits	14	100,209	122,917
Fixed deposits	15	300	300
Bank balances and cash	15	5,051	19,405
		107,697	144,777
Current liabilities			
Trade and other payables	16	91,616	106,724
Contract liabilities	17	2,219	10,204
Borrowing	18	–	18,984
Lease liabilities		6,290	8,165
		100,125	144,077
Net current assets		7,572	700
Total assets less current liabilities		15,230	12,780
Non-current liabilities			
Trade and other payables	16	1,813	1,813
Loans from ultimate holding company	19	16,011	7,498
Amount due to a director		17,802	6,918
Lease liabilities		364	2,297
Convertible bonds	20	96,634	83,953
		132,624	102,479
Net liabilities		(117,394)	(89,699)
Capital and reserves			
Share capital	21	213,912	213,912
Reserves		(348,119)	(320,882)
Capital deficiency attributable to owners of the Company		(134,207)	(106,970)
Non-controlling interests	22	16,813	17,271
Capital deficiency		(117,394)	(89,699)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Share		Translation reserve	Convertible bonds reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
			option	reserve						
			reserve	reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2021	213,912	5,000	-	100,971	(2,565)	(424,288)	(106,970)	17,271	(89,699)	
Loss for the period	-	-	-	-	-	(26,866)	(26,866)	(432)	(27,298)	
Other comprehensive income for the period	-	-	-	-	(371)	-	(371)	(26)	(397)	
Total comprehensive expenses for the period	-	-	-	-	(371)	(26,866)	(27,237)	(458)	(27,695)	
At 30 September 2021 (unaudited)	213,912	5,000	-	100,971	(2,936)	(451,154)	(134,207)	16,813	(117,394)	
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	-	-	-	-	(224)	-	(224)	(896)	(1,120)	
Total comprehensive expenses for the period	-	-	-	-	(224)	(17,758)	(17,982)	(1,274)	(19,256)	
At 30 September 2020 (unaudited)	213,912	5,000	19,680	-	(3,239)	(443,794)	(208,441)	(3,483)	(211,924)	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Notes	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Operating activities			
Cash (used in) generated from operations		(3,019)	1,941
Income tax paid		-	-
Net cash (used in) generated from operating activities		(3,019)	1,941
Investing activities			
Interest received		1	2
Decrease in restricted bank deposits		-	878
Purchase of property, plant and equipment	11	-	(6)
Payment of rental deposit		-	(8)
Net cash generated from investing activities		1	866
Financing activities			
New borrowings raised		-	16,602
Repayment of borrowings		(18,984)	(11,068)
Loans from ultimate holding company		8,280	12,610
Repayment of loans from ultimate holding company		(64)	(750)
Capital element of lease rental paid		-	(6,300)
Net cash (used in) generated from financing activities		(10,768)	11,094
Net (decrease)/increase in cash and cash equivalents		(13,786)	13,901
Effect of foreign exchange rate changes		(568)	228
Cash and cash equivalents at beginning of the period		19,705	12,008
Cash and cash equivalents at end of the period		5,351	26,137
Analysis of the balances of cash and cash equivalents			
Fixed deposits	15	300	300
Bank balances and cash	15	5,051	25,837
		5,351	26,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

Wai Chun Group Holdings Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the opinion of the Directors, the ultimate holding company of the Company is 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 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 Group is principally engaged in (i) general trading; (ii) sales and integration services of computer and communication system; and (iii) the provision of solution services for information system and telecommunications infrastructure and management training services.

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.

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**”) and the applicable disclosure required by the Listing Rules.

The condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

2. BASIS OF PREPARATION (Continued)

The Group incurred a loss attributable to owners of the Company of approximately HK\$26,866,000 for the six months ended 30 September 2021 and as at 30 September 2021, the Group had net liabilities of approximately HK\$117,394,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have prepared the consolidated financial statements based on going concern on the assumptions and measures that:

- (a) As at 30 September 2021, the Company has drawn down loan of approximately HK\$16,011,000 and undrawn loan facilities of approximately HK\$83,989,000 granted by Wai Chun IF, its ultimate holding company. Wai Chun IF will not demand the Company for repayment of such loans nor cancel the undrawn loan facilities until all other liabilities of the Group have been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the condensed consolidated financial statements;
- (b) In addition to the loan facilities granted by Wai Chun IF as stated above, Mr. Lam has also undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle 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, Mr. Lam agreed not to request the Group, whenever necessary, to settle the balance due to him recorded in amount due to a Director amounting to approximately HK\$17,802,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the consolidated financial statements;
- (c) Wai Chun Holdings Group Limited, a related company controlled by Mr. Lam and his spouse, has also agreed not to request the Group, whenever necessary, to settle the balance due recorded in trade and other payables amounting to approximately HK\$1,813,000 until all other third parties liabilities of the Group had been satisfied, and will not demand the repayment earlier than twelve months from the date of approving the condensed consolidated financial statements;
- (d) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

2. BASIS OF PREPARATION (Continued)

- (e) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this announcement after taking into account the impact of above measures, the Directors 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 date of this announcement, 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 the condensed consolidated financial statements.

As set out in the paragraphs above, the Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities 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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial statements of the Group. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and condensed consolidated financial position.

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, chemicals and agricultural products

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Recognised at a point in time	41,238	-	83,756	124,994
Recognised over time	-	-	-	-
Reportable segment revenue from external customers	41,238	-	83,756	124,994
Reportable segment results	92	(975)	(869)	(1,752)
Unallocated corporate income				19
Unallocated corporate expenses				(8,351)
Finance costs				(17,214)
Loss before tax				(27,298)
Income tax expense				-
Consolidated loss for the period				(27,298)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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 tax				(18,136)
Income tax expense				–
Consolidated loss for the period				(18,136)

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 2021

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 2021 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	2,349	26,260	70,946	99,555
Unallocated assets				15,800
Consolidated assets				115,355
Segment liabilities	2,171	24,277	60,593	87,041
Unallocated liabilities				145,708
Consolidated liabilities				232,749

At 31 March 2021 (audited)

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	4,143	46,292	91,074	141,509
Unallocated assets				15,348
Consolidated assets				156,857
Segment liabilities	3,898	43,544	82,269	129,711
Unallocated liabilities				116,845
Consolidated liabilities				246,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

Six months ended 30 September 2021 (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	-	-	-	423	423
Depreciation on right- of-use assets	-	-	211	3,788	3,999

Six months ended 30 September 2020 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	General trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Addition to property, plant and equipment	-	-	-	6	6
Depreciation on property, plant and equipment	-	-	-	423	423
Addition to right-of-use assets	-	-	755	-	755
Depreciation on right- of-use assets	-	-	157	1,921	2,078
Reversal of impairment losses on other receivables	(383)	(383)	-	-	(766)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are located in Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers for the six months ended 30 September		Non-current assets	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Hong Kong	–	4,369	7,387	11,606
PRC	124,994	60,428	271	474
	124,994	64,797	7,658	12,080

5. OTHER INCOME

	Six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Bank interest income	–	2
Other interest income	31	66
	31	68

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

6. FINANCE COSTS

	Six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Interest on lease liabilities	264	240
Imputed interest on convertible bonds	16,191	1,042
Interests expenses on:		
– amount due to ultimate holding company	297	870
– amount due to a non-controlling interests of a subsidiary	–	633
– other payables to related parties	8	4,126
– amount due to a director	454	145
	17,214	7,056

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021 Unaudited HK\$'000	2020 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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

7. INCOME TAX EXPENSES (Continued)

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 2021 and 2020.

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 2021 (2020: Nil).

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

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	423	423
Depreciation on right-of-use assets	3,999	2,078
Staff costs (including directors' emoluments)	2,792	3,544
Bank interest income	—	(2)
Reversal of impairment losses on other receivables	—	(766)

9. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	For the six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Loss		
Loss for the period for the purpose of calculating basic and diluted loss per share	26,866	17,758
	'000	'000 (Restated)*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	2,139,116	2,139,116

* Restated as a result of Share consolidation on the basis of every 10 existing shares of HK\$0.01 each be consolidated into 1 consolidated share of HK\$0.1 each with effect from 27 November 2020.

Basic and diluted loss per share for the six month ended 30 September 2021 and 2020 were the same because all potential dilutive ordinary shares would decrease the loss per share, therefore, is anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment with a cost of nil (2020: approximately HK\$6,000) and approximately HK\$423,000 (2020: approximately HK\$423,000) of depreciation was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

12. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Right-of-use assets – Land and buildings	6,216	10,215

13. INVENTORIES

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Other consumables	2,137	2,155

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 2021

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 general trading are within 0–90 days from the date of billing.

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Trade receivables	106,948	117,733
Less: Impairment allowance	(40,303)	(39,599)
	66,645	78,134
Other receivables	32,595	35,591
Prepayments	117	8,323
Deposits	852	869
	33,564	44,783
Total	100,209	122,917

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Trade receivables		
0-90 days	41,270	61,647
91-180 days	15,238	10,225
Over 180 days	10,137	6,262
	66,645	78,134

15. FIXED DEPOSITS/BANK BALANCES AND CASH

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Fixed deposits	300	300
Cash at banks and on hand	5,051	19,405
	5,351	19,705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

16. TRADE AND OTHER PAYABLES

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Trade payables	46,487	93,149
Accruals and other payables		
Convertible bonds coupon payable	7,350	3,840
Other payables/accrued rental expenses payables to related parties	1,813	1,813
Receipt in advance	30,021	–
Other accrued salaries in Hong Kong and the PRC	73	280
Other tax payables in PRC	3,961	3,899
Others	3,724	5,556
	46,942	15,388
	93,429	108,537
Analysis of:		
Current liabilities	91,616	106,724
Non current liabilities	1,813	1,813
	93,429	108,537

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

16. TRADE AND OTHER PAYABLES (Continued)

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 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Within 30 days	25,568	61,516
Over 30 days and within 180 days	14,411	9,933
Over 180 days	6,508	21,700
	46,487	93,149

17. CONTRACT LIABILITIES

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Total contract liabilities	2,219	10,204

18. BORROWING

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Interest-free borrowing	-	18,984

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

19. LOANS FROM THE ULTIMATE HOLDING COMPANY

Loans from the ultimate holding company are unsecured, interest bearing at 6.25% per annum and not repayable within one year. Wai Chun IF has confirmed that it will not demand the Group for repayment of such loans until all the other third parties liabilities of the Group has been satisfied.

20. CONVERTIBLE BONDS

Convertible bond of HK\$152,000,000 (the “CB1”)

On 31 August 2020 (“**Issue Date of CB1**”), the Company issued an unlisted, unguaranteed and unsecured convertible bond with principal amount of HK\$152,000,000, to two independent third parties.

The CB1 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.01 each of the Company on or after 31 August 2020 up to and including 30 August 2023 at an initial conversion price of HK\$0.018 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 8,444,444,444 shares per principal amount of the CB1 of HK\$152,000,000, which also subject to adjustments upon occurrence of certain events.

Should the CB1 has not been converted, it will be redeemed at par on 30 August 2023 (“**Maturity Date of CB1**”).

The CB1 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days’ notice to the bondholder, propose to the bondholder to redeem the outstanding CB1 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB1 at any time after the Issue Date of CB1 up to and including the date falling fourteen days immediately before the Maturity Date of CB1.

The interest charged for the year is calculated by applying an effective interest rate of 47.65% to the liability component for the 36 month period since the CB1 was issued.

The Directors estimate the fair value of the liability component of the CB1 at 30 September 2021 to be approximately HK\$79,856,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

20. CONVERTIBLE BONDS (Continued)

Convertible bond of HK\$23,480,000 (the “CB2”)

On 30 November 2020 (“**Issue Date of CB2**”), the Company issued an unlisted, unguaranteed and unsecured convertible bond with principal amount of HK\$23,480,000, to another two independent third parties.

The CB2 is convertible at the option of the bondholder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 30 November 2020 up to and including 29 November 2023 at an initial conversion price of HK\$0.18 per share subject to adjustments upon occurrence of certain events. The maximum number of ordinary shares of the Company can be converted is 130,444,444 shares per principal amount of the CB2 of HK\$23,480,000, which also subject to adjustments upon occurrence of certain events.

Should the CB2 has not been converted, it will be redeemed at par on 29 November 2023 (“**Maturity Date of CB2**”).

The CB2 has coupon rate of 4% per annum on the principal amount outstanding and interest will be paid quarterly in arrears until the maturity date.

The Company shall be entitled at its sole discretion, by giving not less than fourteen days’ notice to the bondholder, propose to the bondholder to redeem the outstanding CB2 (in multiples of HK\$5,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding CB2 at any time after the Issue Date of CB2 up to and including the date falling fourteen days immediately before the maturity date of CB2.

The interest charged for the year is calculated by applying an effective interest rate of 22.34% to the liability component for the 36 month period since the CB2 was issued.

The Directors estimate the fair value of the liability component of the CB2 at 30 September 2021 to be approximately HK\$16,778,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The considerations of CB1 and CB2 are settled by debt assignments of which a Director and the ultimate holding company assign their debts owed by the Group to the CB1 and CB2 holders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

21. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount equivalent to <i>HK\$'000</i>
Authorised:		
Shares of the Company HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2020	89,000,000	890,000
Share consolidation (<i>Note a</i>)	(80,100,000)	N/A
At 31 March 2021, 1 April 2021 and 30 September 2021	<u>8,900,000</u>	<u>890,000</u>
Convertible preference shares of HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2020	11,000,000	110,000
Share consolidation (<i>Note b</i>)	(9,900,000)	N/A
At 31 March 2021, 1 April 2021 and 30 September 2021	<u>1,100,000</u>	<u>110,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.1 (2020: HK\$0.01) each		
At 1 April 2020	21,391,163	213,912
Share consolidation (<i>Note a</i>)	(19,252,047)	N/A
At 31 March 2021, 1 April 2021 and 30 September 2021	<u>2,139,116</u>	<u>213,912</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

21. SHARE CAPITAL (Continued)

Note (a):

At the special general meeting of the Company held on 25 November 2020, an ordinary resolution was duly passed under which every 10 existing issued and unissued shares of par value of HK\$0.01 each in the share capital of the Company was consolidated into 1 share of par value of HK\$0.1 each (the “**Share Consolidation**”) and the Share Consolidation has become effective on 27 November 2020.

The authorised share capital of ordinary shares of the Company was HK\$890,000,000 divided into 89,000,000,000 existing ordinary shares with a par value of HK\$0.01 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of ordinary shares of the Company became HK\$890,000,000 divided into 8,900,000,000 consolidated ordinary shares with a par value of HK\$0.1 each. There was no change on the amount of authorised and issued share capital of ordinary shares.

The total number of authorised ordinary shares of the Company decreased from 89,000,000,000 ordinary shares to 8,900,000,000 ordinary shares and the total number of issued ordinary shares decreased from 21,391,162,483 ordinary shares to 2,139,116,248 ordinary shares, after the Share Consolidation.

Note (b):

As mentioned in note (a) about the Share Consolidation, the authorised share capital of preference shares of the Company was HK\$110,000,000 divided into 11,000,000,000 existing preference shares with a par value of HK\$0.01 each before the Share Consolidation. After the Share Consolidation, the authorised share capital of preference shares of the Company became HK\$110,000,000 divided into 1,100,000,000 consolidated preference shares with a par value of HK\$0.1 each. There was no change on the amount of authorised and issued share capital of preference shares.

The total number of authorised preference shares of the Company decreased from 11,000,000,000 preference shares to 1,100,000,000 preference shares after the Share Consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

22. NON-CONTROLLING INTERESTS

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Balance at beginning of the period/year	17,271	(2,209)
Share of (loss) profit for the period/year	(432)	20,485
Exchange realignment	(26)	(1,005)
Balance at end of the period/year	16,813	17,271

23. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to those related party transactions disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the periods:

	For the six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Lease interest expenses payable to related parties	264	222
Rental expenses payable to a related party	–	2,100
Salaries expenses payable to a related party	270	410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

23. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees, is as follows:

	For the six months ended 30 September	
	2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Directors' fee	180	180
Basic salaries, other allowance and benefit in kind	1,740	2,020
Retirement benefits scheme contributions	36	41
	1,956	2,241

24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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 2021.

There have been no changes in the risk management policies during the six months ended 30 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

25. EVENTS AFTER THE REPORTING PERIOD

On 15 October 2021, the Company and the bond holders of the CB1 and CB2 have agreed to amend the terms of the CB1 and CB2. Details of the alternation of terms are set out in the Company's announcement dated 15 October 2021 and circular dated 9 December 2021.

On 21 October 2021, the Company entered into the subscription Agreement with Ka Chun Holdings Limited ("**Ka Chun**") (a connected person of the Company) pursuant to which Ka Chun conditionally agreed to subscribe for and the Company conditionally agreed to issue the convertible bonds in the principal amount of HK\$42,700,000 (the "**CB3**"). Details of the subscription agreement and the CB3 are set out in the Company's announcement date 21 October 2021 and circular dated 9 December 2021.