



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
2022

* 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
Wan Bo
(appointed on 21 November 2022)
Chan Cheuk Ho
(resigned on 18 July 2022)
Hung Hoi Ming Raymond
(appointed on 16 June 2022 and resigned on 22 August 2022)

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Fenn David

COMPANY SECRETARY

Fenn David

AUDIT COMMITTEE

Chan Wai Dune *(Chairman)*
Wang Wei
Wan Bo
(appointed on 21 November 2022)
Chan Cheuk Ho
(resigned on 18 July 2022)
Hung Hoi Ming Raymond
(appointed on 16 June 2022 and resigned on 22 August 2022)

REMUNERATION COMMITTEE

Wang Wei *(Chairman)*
Lam Ching Kui
Chan Wai Dune
Wan Bo
(appointed on 21 November 2022)
Chan Cheuk Ho
(resigned on 18 July 2022)
Hung Hoi Ming Raymond
(appointed on 16 June 2022 and resigned on 22 August 2022)

NOMINATION COMMITTEE

Lam Ching Kui *(Chairman)*
Wang Wei
Chan Wai Dune
Wan Bo
(appointed on 21 November 2022)
Chan Cheuk Ho
(resigned on 18 July 2022)
Hung Hoi Ming Raymond
(appointed on 16 June 2022 and resigned on 22 August 2022)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

CORPORATE INFORMATION

AUDITOR

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

SHARE REGISTRAR IN BERMUDA

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

REGISTRAR IN HONG KONG

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1013

COMPANY WEBSITE

www.1013.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) general trading of chemicals and agricultural products; (ii) sales and services provision of integration services of computer and communication systems, and design, consultation and production of information system software and management training services; and (iii) investment holdings.

During the period under review, the management continued to devote its effort to enhance the operational efficiency of the sale and integration services segment through stringent project selection and tighter cost control measures, and negotiate new contract(s) for such business segment. On the other hand, the Group continued to enhance customer base and supply chain for its general trading business in respect of trading of chemical and agricultural products.

Results of operation

The sale and integration services segment was under-performed during the period under review. On the other hand, the general trading business segment reported a growth in revenue during the period under review as compared to the corresponding period in last year while the gross margin was moderately improved. Both business segments reported an increase in segment loss during the period under review as compared to the corresponding period in last year.

FINANCIAL PERFORMANCE

For the six months ended 30 September 2022, the Group recorded total revenue of approximately HK\$105,468,000 (six months ended 30 September 2021: approximately HK\$124,994,000), representing a decrease of approximately 16% as compared with the corresponding period in last year. The Group recorded an increase of revenue in general trading business from approximately HK\$83,756,000 for the six months ended 30 September 2021 to approximately HK\$105,468,000 for the six months ended 30 September 2022 mainly contributed by the increase in sales quantity of chemical products during the period. The Group did not record revenue from sales and integration services business for the six months ended 30 September 2022 (for the six months ended 30 September 2021: revenue of approximately HK\$41,238,000) as such business was adversely affected by the impact of COVID-19. The Group recorded gross profit and gross profit margin of approximately HK\$247,000 (six months ended 30 September 2021: approximately HK\$279,000) and 0.2% (six months ended 30 September 2021: approximately 0.2%) respectively for the six months ended 30 September 2022. The Group's gross margin remained steady during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses decreased by approximately 6.8% to approximately HK\$9,690,000 for the six months ended 30 September 2022 from approximately HK\$10,394,000 for the corresponding period in last year, which resulted from the success of a tighter cost control. Finance costs decreased by approximately 27% to approximately HK\$12,513,000 for the six months ended 30 September 2022 from approximately HK\$17,214,000 for the corresponding period in last year. The decrease in finance costs was mainly due to the decrease in interest expenses on convertible bonds.

The Group recorded a loss attributable to owners of the Company of approximately HK\$25,856,000 for the six months ended 30 September 2022 (for the six months ended 30 September 2021: approximately HK\$26,866,000).

FINANCIAL RESOURCES AND LIQUIDITY

Total debts of the Group amounted to approximately HK\$213,757,000 (31 March 2022: approximately HK\$187,309,000), mainly comprising convertible notes of approximately HK\$192,086,000 (31 March 2022: approximately HK\$182,303,000), loans from ultimate holding company of approximately HK\$2,975,000 (31 March 2022: approximately HK\$1,313,000), amount due to a director of approximately HK\$5,587,000 (31 March 2022: approximately HK\$1,029,000), lease liabilities of approximately HK\$2,077,000 (31 March 2022: approximately HK\$2,664,000) and borrowings of approximately HK\$11,032,000 (31 March 2022: nil). All the above-mentioned borrowings are denominated in Hong Kong Dollars or Renminbi. Except for borrowings, all of these debt are interest bearing or carried in an interest rate implicit in the lease liabilities. The Group had no assets pledged as at 30 September 2022 (31 March 2022: nil). The net debts (net of cash and cash equivalents) to total assets ratio of the Group is approximately 176% (31 March 2022: approximately 125%), representing an increase of approximately 51% as compared to last financial year end date. The current ratio of the Group was approximately 0.43 times (31 March 2022: approximately 1.00 times) as at 30 September 2022. Cash and cash equivalents were approximately HK\$11,561,000 (31 March 2022: approximately HK\$13,890,000) as at 30 September 2022, which are mostly denominated in Hong Kong Dollars or Renminbi.

In view of the liquidity issues of the Group, the directors of the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONVERTIBLE BONDS AND BORROWINGS

An analysis of the maturity of convertible bonds is set out below.

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Within one year	137,925	–
Over one year but less than two years	20,558	130,915
Over two years but less than five years	33,603	51,388
	192,086	182,303

As at 30 September 2022 and 31 March 2022, the convertible bonds were denominated in Hong Kong Dollars and bearing coupon interest at 2% per annum. As at 30 September 2022 and 31 March 2022, the effective interest rates of the convertible bonds were in the range from 13.50% to 14.48% per annum.

As at 30 September 2022, the unsecured and non-interest bearing borrowings (31 March 2022: Nil) as set out in note 13 to the unaudited condensed consolidated financial statements were denominated in Renminbi and will be matured within one month.

FOREIGN CURRENCY RISK

As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks. 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 2022.

CHARGE ON ASSETS

There was no charge on the Group's assets as at 30 September 2022 (31 March 2022: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 12 to the unaudited condensed consolidated financial statements, there were no material contingent liabilities for the Group as at 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

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 2022 (30 September 2021: Nil).

OTHER INFORMATION

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

As at 30 September 2022, 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/ underlying shares	Approximate percentage of shareholding in the Company (Note 2)
Mr. Lam Ching Kui	Beneficial owner	Long position	3,694,314,332 (Note 1)	172.70%
	Interest of controlled corporations	Long position	2,443,921,933 (Note 1)	114.25%

Notes:

- Mr. Lam Ching Kui directly holds 38,481,000 shares of the Company and is the beneficial owner of Wai Chun Investment Fund which is deemed to be interested in (i) 1,554,338,600 shares of the Company held by Ka Chun Holdings Limited, a wholly-owned subsidiary of Wai Chun Investment Fund; and (ii) 889,583,333 shares to be issued by the Company upon full exercise of the conversion rights under the 2% coupon convertible bonds in the principal amount of HK\$42,700,000 held by Ka Chun Holdings Limited. Mr. Lam Ching Kui is also the holder of (i) 2% coupon convertible bonds in the principal amount of HK\$152,000,000 under which 3,166,666,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds; and (ii) 2% coupon convertible bonds in the principal amount of HK\$23,480,000 under which 489,166,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds.
- This percentage is based on 2,139,116,248 ordinary shares of the Company issued as at 30 September 2022.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, 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.

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

As at 30 September 2022, 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/ underlying shares	Approximate percentage of shareholding in the Company (Note 2)
Lam Ching Kui	Beneficial owner	Long position	3,694,314,332 (Note 1)	172.70%
	Interests of controlled corporation	Long position	2,443,921,933 (Note 1)	114.25%
Ka Chun Holdings Limited	Beneficial owner	Long position	2,443,921,933 (Note 1)	114.25%
Wai Chun Investment Fund	Interests of controlled corporation	Long position	2,443,921,933 (Note 1)	114.25%

OTHER INFORMATION

Notes:

1. Mr. Lam Ching Kui, the chairman and Executive Director of the Company, directly holds 38,481,000 shares of the Company and is the beneficial owner of the entire issued share capital of Wai Chun Investment Fund. Ka Chun Holdings Limited, which is wholly owned by Wai Chun Investment Fund, holds 1,554,338,600 shares of the Company and is the holder of 2% coupon convertible bonds in the principal amount of HK\$42,700,000, under which 889,583,333 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds. Therefore, Wai Chun Investment Fund is deemed to be interested in all the interests held by Ka Chun Holdings Limited under the SFO. Mr. Lam Ching Kui is also the holder of (i) 2% coupon convertible bonds in the principal amount of HK\$152,000,000 under which 3,166,666,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds; and (ii) 2% coupon convertible bonds in the principal amount of HK\$23,480,000 under which 489,166,666 shares would be issued by the Company upon full exercise of the conversion rights under the aforementioned 2% coupon convertible bonds. Mr. Lam Ching Kui is the director of Ka Chun Holdings Limited and Wai Chun Investment Fund.
2. This percentage is based on 2,139,116,248 ordinary shares of the Company issued as at 30 September 2022.

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 2022.

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.

OTHER INFORMATION

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.

No option was granted, exercised, cancelled or lapsed during the six months ended 30 September 2022. The Company had no options outstanding as at 30 September 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2022, 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.

EMPLOYEES

As at 30 September 2022, the Group had a total of 11 (31 March 2022: 17) employees, the majority of whom are situated in Hong Kong. The staff costs (including directors' emoluments) for the six months ended 30 September 2022 was approximately HK\$2,503,000 (for the six months ended 30 September 2021: HK\$2,792,000). In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

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

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 2022.

OTHER INFORMATION

SIGNIFICANT INVESTMENTS AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report, the Group did not have any significant investments or any other plans for material investments or capital assets as at 30 September 2022.

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 2022.

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 2022.

CORPORATE GOVERNANCE

During the six months ended 30 September 2022, 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 C.1.6 and C.2.1.

Code provision C.1.6 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Chan Wai Dune (an independent non-executive director of the Company) was unable to attend the annual general meeting of the Company held on 18 August 2022 due to other business commitments at the time of such meeting.

Code provision C.2.1 provides that the roles of the chairman and chief executive officer should be separate 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

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company, since the date of the Company's annual report for the year ended 31 March 2022 are set out below:

On 5 May 2022, the Disciplinary Committee of The Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) made an order against, among others, Mr. Chan Wai Dune (“**Mr. Chan**”) (an independent non-executive director of the Company) and CCIF CPA Limited (“**CCIF**”), in which Mr. Chan was then a managing director, for their breach of professional standards issued by the HKICPA in relation to the preparation of the audited consolidated financial statements of a listed company in Hong Kong for the year ended 31 December 2005 (the “**Reprimand**”), including failures to carry out audit planning and risk assessment on revenue, to properly evaluate evidence of revenue obtained from certain parties who had apparently acted only as agents for ultimate customers, and to assess the impact of the main customer's recurring non-response to audit confirmation requests sent to it. In addition, the audit team failed to carry out sufficient procedures on the completeness of population of revenue from which samples were drawn for testing, and to adequately document certain audit procedures performed. On the basis of the reasons set forth in the order, Mr. Chan and CCIF were reprimanded by the Disciplinary Committee with a penalty of HK\$200,000 and HK\$300,000, respectively, and jointly for the costs of HK\$493,881 of the HKICPA and the Financial Reporting Council. There was no allegation of fraud or dishonesty and the Reprimand was not related to Mr. Chan's integrity.

Mr. Chan Cheuk Ho resigned as an independent non-executive director of the Company, and ceased to be the members of the Company's Remuneration Committee, Audit Committee and Nomination Committee of the Company on 18 July 2022.

Mr. Hung Hoi Ming Raymond was (i) appointed as an independent non-executive director of the Company, a member of the Company's Audit Committee, a member of the Company's Nomination Committee and a member of the Company's Remuneration Committee with effect from 16 June 2022; and (ii) resigned as an independent non-executive director of the Company, and ceased to be the members of the Company's Remuneration Committee, Audit Committee and Nomination Committee of the Company on 22 August 2022.

Mr. Wan Bo was appointed as an independent non-executive director of the Company, a member of the Company's Audit Committee, a member of the Company's Nomination Committee and a member of the Company's Remuneration Committee with effect from 21 November 2022.

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.

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chan Wai Dune, Dr. Wang Wei and Mr. Wan Bo. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group and the interim report of the Company for the six months ended 30 September 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Group does not have any material events affecting the Group’s financial performance and/or financial position significantly that have occurred since 30 September 2022 and up to the date of this report.

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, 30 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Revenue	4	105,468	124,994
Cost of sales		(105,221)	(124,715)
Gross profit		247	279
Other income	5	131	31
Impairment losses on other receivables		(4,663)	–
Administrative expenses		(9,690)	(10,394)
Finance costs	6	(12,513)	(17,214)
Loss before tax		(26,488)	(27,298)
Income tax expenses	7	–	–
Loss for the period	8	(26,488)	(27,298)
Loss for the period attributable to:			
– Owners of the Company		(25,856)	(26,866)
– Non-controlling interests		(632)	(432)
		(26,488)	(27,298)
		HK cents	HK cents
Loss per share	10		
– Basic and diluted		(1.21)	(1.26)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Loss for the period	(26,488)	(27,298)
Other comprehensive expense: <i>Item that may be reclassified to profit or loss:</i> Exchange differences arising on translating foreign operations	(1,138)	(397)
Other comprehensive expense, net of tax	(1,138)	(397)
Total comprehensive expense for the period	(27,626)	(27,695)
Total comprehensive expense for the period attributable to:		
– Owners of the Company	(27,210)	(27,237)
– Non-controlling interests	(416)	(458)
	(27,626)	(27,695)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		592	1,027
Right-of-use assets		2,029	2,625
		2,621	3,652
Current assets			
Inventories		–	804
Trade receivables	11	69,114	82,205
Other receivables, prepayments and deposits		31,553	37,642
Fixed deposits		–	300
Bank balances and cash		11,561	13,890
		112,228	134,841
Current liabilities			
Trade payables	12	85,368	95,613
Other payables and accruals		21,233	21,346
Contract liabilities		2,026	14,595
Borrowings	13	11,032	–
Lease liabilities		1,978	2,447
Convertible bonds		137,925	–
		259,562	134,001
Net current (liabilities) assets		(147,334)	840
Total assets less current liabilities		(144,713)	4,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Non-current liabilities			
Other payables		4,191	3,730
Loans from ultimate holding company		2,975	1,313
Amount due to a director		5,587	1,029
Lease liabilities		99	217
Convertible bonds		54,161	182,303
		67,013	188,592
NET LIABILITIES		(211,726)	(184,100)
Capital and reserves			
Share capital	14	213,912	213,912
Reserves		(442,092)	(414,882)
Capital deficiency attributable to owners of the Company		(228,180)	(200,970)
Non-controlling interests		16,454	16,870
CAPITAL DEFICIENCY		(211,726)	(184,100)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Convertible bonds 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 2022 (audited)	213,912	5,000	105,899	(2,094)	(523,687)	(200,970)	16,870	(184,100)
Loss for the period	-	-	-	-	(25,856)	(25,856)	(632)	(26,488)
Other comprehensive (expenses) income for the period	-	-	-	(1,354)	-	(1,354)	216	(1,138)
Total comprehensive expenses for the period	-	-	-	(1,354)	(25,856)	(27,210)	(416)	(27,626)
At 30 September 2022 (unaudited)	213,912	5,000	105,899	(3,448)	(549,543)	(228,180)	16,454	(211,726)
At 1 April 2021 (audited)	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 expenses 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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Operating activities		
Net cash used in operating activities	(13,997)	(3,019)
Investing activities		
Interest received	1	1
Net cash generated from investing activities	1	1
Financing activities		
New borrowings raised	11,032	–
Repayment of borrowings	–	(18,984)
Loans from ultimate holding company	1,881	8,280
Repayment of loans from ultimate holding company	(286)	(64)
Net cash generated from (used in) financing activities	12,627	(10,768)
Net decrease in cash and cash equivalents	(1,369)	(13,786)
Effect of foreign exchange rate changes	(1,260)	(568)
Cash and cash equivalents at beginning of the period	14,190	19,705
Cash and cash equivalents at end of the period	11,561	5,351
Analysis of the balances of cash and cash equivalents		
Fixed deposits	–	300
Bank balances and cash	11,561	5,051
	11,561	5,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 of the Company, 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 Company is an investment holding company.

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

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

2. BASIS OF PREPARATION (Continued)

The Group incurred a loss attributable to owners of the Company of approximately HK\$25,856,000 for the six months ended 30 September 2022, and as at 30 September 2022, the Group had net current liabilities of approximately HK\$147,334,000 and net liabilities of approximately HK\$211,726,000. 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 of the Company have prepared the condensed consolidated financial statements on a going concern basis based on the assumptions and measures that:

- (a) As at 30 September 2022, the Company has drawn down loan of approximately HK\$2,975,000 and undrawn loan facilities of approximately HK\$207,025,000 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\$5,587,000 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 other payables amounting to approximately HK\$4,191,000 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;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

2. BASIS OF PREPARATION (Continued)

- (d) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement; and
- (e) The directors of the Company 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 of the Company have carried out a detailed review of the cash flow forecast of the Group for the twelve-month period from the date of this report after taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, 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 in the People's Republic of China (the "PRC") market and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022. HKFRSs comprise HKFRSs, 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.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. 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 two operating divisions – sales and integration services, 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, and design, consultation and production of information system software and management training services
General trading:	Revenue from trading of chemicals and agricultural products

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 (unaudited)

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
Recognised at a point in time	–	105,468	105,468
Reportable segment revenue from external customers	–	105,468	105,468
Reportable segment results	(1,292)	(4,062)	(5,354)
Unallocated corporate income			131
Unallocated corporate expenses			(8,752)
Finance costs			(12,513)
Loss before tax			(26,488)
Income tax expense			–
Consolidated loss for the period			(26,488)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Six months ended 30 September 2021 (unaudited)

	Sales and integration services HK\$'000 (Re-presented)	General trading HK\$'000	Total HK\$'000
Recognised at a point in time	41,238	83,756	124,994
Reportable segment revenue from external customers	41,238	83,756	124,994
Reportable segment results	(883)	(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)

There was no inter-segment sales for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 September 2022 (unaudited)

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	45,661	65,497	111,158
Unallocated assets			3,691
Consolidated total assets			114,849
Segment liabilities	42,739	60,837	103,576
Unallocated liabilities			222,999
Consolidated total liabilities			326,575

At 31 March 2022 (audited)

	Sales and integration services HK\$'000	General trading HK\$'000	Total HK\$'000
Segment assets	58,496	73,618	132,114
Unallocated assets			6,379
Consolidated total assets			138,493
Segment liabilities	51,600	64,620	116,220
Unallocated liabilities			206,373
Consolidated total liabilities			322,593

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other information

Six months ended 30 September 2022 (unaudited)

	Sales and integration services <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation on property, plant and equipment	–	–	430	430
Depreciation on right-of-use assets	–	128	3,321	3,449

Six months ended 30 September 2021 (unaudited)

	Sales and integration services <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation on property, plant and equipment	–	–	423	423
Depreciation on right-of-use assets	–	211	3,788	3,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Hong Kong	–	–	2,317	3,176
PRC	105,468	124,994	304	476
	105,468	124,994	2,621	3,652

5. OTHER INCOME

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Bank interest income	1	–
Government subsidy (note)	108	–
Other interest income	20	31
Sundry income	2	–
	131	31

Note: For the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, which was set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

6. FINANCE COSTS

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Interest on lease liabilities	112	264
Interest on convertible bonds	12,026	16,191
Interests expenses on:		
– amount due to ultimate holding company	67	297
– other payables to related parties	260	8
– amount due to a director	39	454
– other payables	9	–
	12,513	17,214

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Current tax – Hong Kong Profits Tax	–	–
Current tax – PRC Enterprise Income Tax	–	–
	–	–

Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profit for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 and 2021.

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 2022 and 2021.

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Depreciation on property, plant and equipment	430	423
Depreciation on right-of-use assets	3,449	3,999
Staff costs (including directors' emoluments)	2,503	2,792

9. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Loss		
Loss for the period attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	(25,856)	(26,866)
	'000	'000
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

Basic and diluted loss per share for the six month ended 30 September 2022 and 2021 were the same because all potential dilutive ordinary shares would decrease the loss per share, and therefore, would not have dilutive effect.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

11. TRADE RECEIVABLES

According to the contracts entered into with trade customers of sales and integration services, 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 chemicals and agricultural products are within 0–90 days from the date of billing.

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Trade receivables	105,931	123,356
Less: Impairment allowance	(36,817)	(41,151)
	69,114	82,205

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 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
0–90 days	49,135	51,373
91–180 days	–	28,427
Over 180 days (<i>note</i>)	19,979	2,405
	69,114	82,205

Note: As at 30 September 2022, trade receivables of HK\$19,979,000 were past due but not impaired. These relate to an independent debtor for whom there is no recent history of default. The debtor is committed to fully settle by installment before 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

12. TRADE PAYABLES

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

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Within 30 days	51,154	51,274
Over 30 days and within 180 days	–	27,513
Over 180 days	34,214	16,826
	85,368	95,613

Note:

- (i) At 30 September 2022, trade payables of approximately RMB6,563,000 (approximately HK\$7,240,000) (31 March 2022: approximately RMB6,563,000 (approximately HK\$8,093,000)) involved lawsuits filed against a major subsidiary of the Company, Beijing HollyBridge System Integration Company Limited.

13. BORROWINGS

As at 30 September 2022, the amount is unsecured, repayable within one month and non-interest bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

14. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount equivalent to <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 (2021: HK\$0.01) each At 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	8,900,000	890,000
Convertible preference shares of HK\$0.1 (2021: HK\$0.01) each At 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	1,100,000	110,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 (2021: HK\$0.01) each At 1 April 2021, 30 September 2021, 31 March 2022 and 30 September 2022	2,139,116	213,912

15. 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 period:

	For the six months ended 30 September	
	2022 Unaudited <i>HK\$'000</i>	2021 Unaudited <i>HK\$'000</i>
Acquisition of right-of-use asset from a close member of the family of a director of the Company	2,893	–
Lease interest expenses to a related company	46	163
Lease interest expenses to a close member of the family of a director of the Company	56	101
Salaries expenses to close members of the family of a director of the Company	257	270

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

15. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

As at 30 September 2022, loan facilities granted by the ultimate holding company to the Company amounted to approximately HK\$210,000,000 (31 March 2022: approximately HK\$200,000,000).

As at 30 September 2022, the convertible bonds amounting to approximately HK\$158,483,000 (31 March 2022: approximately HK\$150,353,000) were held by Mr. Lam, and the convertible bonds amounting to approximately HK\$33,603,000 (31 March 2022: approximately HK\$31,950,000) were held by Ka Chun Holdings Limited, the immediate holding company of the Company.

(b) Key management personnel remuneration

	For the six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Directors' fee	180	180
Basic salaries, other allowance and benefit in kind	1,200	1,740
Retirement benefits scheme contributions	9	36
	1,389	1,956

16. 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 statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual report for the year ended 31 March 2022.

There have been no changes in the risk management policies during the six months ended 30 September 2022.