



INTERIM REPORT

2008



偉俊集團有限公司
WAI CHUN GROUP LIMITED
(formerly known as Plus Holdings Limited)
(incorporated in Bermuda with limited liability)
(Stock code: 1013)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Lam Ching Kui (*Chairman*)
Mr. Guo Qing Hua
Mr. Ko Ming Tung Edward *
Dr. Tang Tin Sek *
Mr. Chan King Hung*

* *Independent Non-executive Director*

AUDIT COMMITTEE

Dr. Tang Tin Sek (*Chairman*)
Mr. Ko Ming Tung Edward
Mr. Chan King Hung

REMUNERATION COMMITTEE

Mr. Ko Ming Tung Edward (*Chairman*)
Dr. Tang Tin Sek
Mr. Chan King Hung
Mr. Lam Ching Kui

NOMINATION COMMITTEE

Mr. Chan King Hung (*Chairman*)
Mr. Ko Ming Tung Edward
Dr. Tang Tin Sek
Mr. Lam Ching Kui

AUTHORISED REPRESENTATIVES

Mr. Lam Ching Kui
Mr. Leung Sui Wah Raymond

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Leung Sui Wah Raymond

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank
(Hong Kong) Limited

AUDITORS

Morison Heng
Certified Public Accountants
7/F Allied Kajima Building
138 Gloucester Road Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church House
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Room 4917 – 4932
Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

BRANCH REGISTRARS (IN HONG KONG)

Union Registrars Limited
Room 1901-1902 Fook Lee Commercial
Town Place, 33 Lockhart Road
Wan Chai
Hong Kong

STOCK CODE

1013

WEBSITE

<http://www.equitynet.com.hk/1013>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 21, which comprises the condensed consolidated balance sheet of Wai Chun Group Limited (formerly known as Plus Holdings Limited) (the “Company”) and its subsidiaries (together, the “Group”) as of 30 September 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Morison Heng

Certified Public Accountants

Hong Kong, 23 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Six months ended	
		30.9.2008 HK\$'000 (unaudited)	30.9.2007 HK\$'000 (unaudited)
Turnover	5	82,752	30,396
Cost of sales		(72,226)	(26,778)
Gross profit		10,526	3,618
Other operating income		185	985
Selling and distribution expenses		(8)	(65)
Administrative expenses		(7,058)	(9,886)
Other operating expenses		(3,907)	(18,778)
Loss from operations		(262)	(24,126)
Share of results of associates		(1,362)	(2,666)
Wavier of trade creditors and other payables		32,301	–
Finance costs		–	(1,052)
Profit/(Loss) before taxation		30,677	(27,844)
Taxation	6	(923)	(79)
Profit/(Loss) for the period	7	29,754	(27,923)
Attributable to:			
Equity holders of the Company		27,621	(27,923)
Minority interests		2,133	–
		29,754	(27,923)
Earnings/(Loss) per share	8		
Basic		1.49cents	(2.01cents)
Diluted		0.51cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

		30.9.2008	31.3.2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	9	2	7
Interests in associates		1,257	2,532
		<u>1,259</u>	<u>2,539</u>
Current assets			
Inventories		27,063	36,254
Trade and other receivables	10	49,176	44,599
Amounts due from related companies		–	6,012
Bank balances and cash		113,441	6,909
		<u>189,680</u>	<u>93,774</u>
Current liabilities			
Trade and other payables	11	83,248	142,925
Amount due to a related company		–	4,269
Amounts due to directors		–	240
Amount due to an associate		170	167
Tax payable		607	2,719
Borrowings	12	18,810	42,582
Convertible bonds		–	14,040
		<u>102,835</u>	<u>206,942</u>
Net current assets/(liabilities)		<u>86,845</u>	<u>(113,168)</u>
Total assets less current assets/(liabilities)		<u><u>88,104</u></u>	<u><u>(110,629)</u></u>
Capital and reserves			
Share capital	13	53,912	139,116
Reserves		32,059	(249,745)
Equity attributable to equity holders of the Company		85,971	(110,629)
Minority interests		2,133	–
Total equity		<u><u>88,104</u></u>	<u><u>(110,629)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Convertible preference	Convertible share option	Translation reserve	Accumulated losses	Total	Minority interests	Total
			shares	reserve					
HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 April 2008 (audited)	139,116	383,117	-	-	(3,060)	(629,802)	(110,629)	-	(110,629)
Reduction of share capital	(125,204)	(383,117)	-	-	-	508,321	-	-	-
Issue of share capital	40,000	-	-	-	-	-	40,000	-	40,000
Issue of convertible preference shares	-	-	110,000	-	-	-	110,000	-	110,000
Issue of convertible share options	-	-	-	20,000	-	-	20,000	-	20,000
Changes in translation reserve	-	-	-	-	(1,021)	-	(1,021)	-	(1,021)
Profit for the period	-	-	-	-	-	27,621	27,621	2,133	29,754
At 30 September 2008 (unaudited)	<u>53,912</u>	<u>-</u>	<u>110,000</u>	<u>20,000</u>	<u>(4,081)</u>	<u>(93,860)</u>	<u>85,971</u>	<u>2,133</u>	<u>88,104</u>

	Attributable to equity holders of the Company								
	Share capital	Share premium	Convertible preference	Convertible share option	Translation reserve	Accumulated losses	Total	Minority interests	Total
			shares	reserve					
HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 April 2007 (audited)	139,116	383,117	-	-	-	(602,028)	(79,795)	-	(79,795)
Loss for the period	-	-	-	-	-	(27,923)	(27,923)	-	(27,923)
At 30 September 2007 (unaudited)	<u>139,116</u>	<u>383,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(629,951)</u>	<u>(107,718)</u>	<u>-</u>	<u>(107,718)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated		
from operating activities	(51,201)	7,155
Net cash from investing activities	185	6,453
Net cash from financing activities	158,656	—
	<hr/>	<hr/>
Net increase in cash and cash equivalents	107,640	13,608
Cash and cash equivalents brought forward	6,909	1,587
Effect of foreign exchange rate changes	(1,108)	(4,106)
	<hr/>	<hr/>
Cash and cash equivalents carried forward	113,441	11,089
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	113,441	11,089
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. BASIS OF PREPARATION

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

2. WITHDRAWAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS

On 15 November 2006, Lolliman Finance Limited ("Lolliman") petitioned for the winding up of the Company. The Company, as guarantor, is required to repay the outstanding loan owed by Holy (Hong Kong) Universal Limited ("Holy HK"), an indirect wholly-owned subsidiary of the Company. Upon the application of Lolliman, Messrs. Liu Yiu Keung Stephen and Robert Armor Morris, both of Ernst & Young Transactions Limited, were appointed as the Provisional Liquidators of the Company on 17 May 2007 by the High Court of Hong Kong Court of First Instance (the "Hong Kong Court") so as to preserve the assets of the Group, to consider and review all restructuring proposals to maximise the recovery of the creditors and shareholders of the Company.

Trading in the Company's shares on the Stock Exchange has been suspended since 17 December 2004. The Company has been placed into the third and final stage of delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on 24 March 2007.

The court orders for the withdrawal of the winding-up petitions and the discharge of the Provisional Liquidators of the Company were granted on 5 August 2008 by the Hong Kong Court and on 8 August 2008 by the Supreme Court of Bermuda. Following completion of the Company's Restructuring Agreement (as defined in hereinafter), trading in the shares of the Company on the Stock Exchange was resumed on 25 August 2008.

3. RESTRUCTURING AGREEMENT

On 31 March 2008, the Company, the Provisional Liquidators, Wai Chun Ventures Limited and Mr. Lam Ching Kui entered into the Debt Restructuring Agreement and the Subscription Agreement as set out in the announcement made by the Company dated 3 April 2008. The principal terms of the Restructuring Agreement, are summarized below.

(i) *The Capital Restructuring*

Under the Capital Restructuring, the share capital of the Company was restructured in the following manner:

(a) Capital Reduction and share premium reduction

The par value of every issued and unissued share was reduced from HK\$0.10 to HK\$0.01 and the resulting in the reduction of the issued share capital of the Company from HK\$139,116,248 by HK\$125,204,623 to HK\$13,911,625 which gave rise to a credit of HK\$125,204,623 on the basis of 1,391,162,483 shares in issue.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

3. RESTRUCTURING AGREEMENT (continued)

(i) *The Capital Restructuring (continued)*

(a) Capital Reduction and share premium reduction (continued)

As a result of the reduction of the amount of HK\$0.09 from each issued share, the entire amount standing to the credit of share premium account of the Company was transferred to the contributed surplus account of the Company.

(b) Set off of accumulated losses and subdivision of shares

The total credits of HK\$508,321,623 arising from the Capital Reduction and share premium reduction were credited to the contributed surplus account of the Company. On the basis of the balance of the contributed surplus account of the Company of approximately HK\$107,992,000, the contributed surplus account of the Company was increased to HK\$616,313,623 after such proposed transfer. Such contributed surplus was applied to set off against most of the Company's accumulated losses as at 31 March 2007 of approximately HK\$675,935,000. The contributed surplus account was reduced to nil after setting off against the accumulated losses of the Company, which will have a remaining deficit of HK\$59,621,377.

Upon the capital reduction took effect, each of the authorized but unissued shares in the share capital of the Company subdivide into 10 New shares.

(c) Authorized Share Capital increase

The Company's authorized share capital of the Company was increased from HK\$300,000,000 to HK\$1,000,000,000 by the creation of an additional 70,000,000,000 new shares.

This was achieved by a re-designation of 11,000,000,000 new shares into 11,000,000,000 convertible preference shares.

(ii) *The Debt Restructuring*

A majority of the number of creditors representing more than 50% in number and not less than 75% in value of each of the relevant classes of creditors present and voting either in person or by proxy have voted in favour of the Scheme at the meeting of the creditors, the Scheme has been sanctioned by the Court.

(iii) *Subscription of subscription shares, convertible preference shares and options.*

Under the terms of the subscription agreement, Wai Chun Ventures Limited has agreed to subscribe for the subscription shares, the convertible preference shares and the options in the following manner:

- i) as to HK\$40 million for the subscription of 4,000,000,000 subscription shares at the subscription price of HK\$0.01 each;
- ii) as to HK\$110 million for the subscription of 11,000,000,000 convertible preference shares at the subscription price of HK\$0.01 each; and
- iii) HK\$20 million for the subscription of the Options, upon exercise of which the holder(s) will be entitled to subscribe for 20,000,000,000 new shares at the exercise price of HK\$0.01 per new shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

4. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial statements beginning 1 April 2008:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation ¹
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the construction of real estate ¹
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 October 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

The Group is in the process of making an assessment of what the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organized into three operating divisions—sales and integration service, services income and contract income. 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 service, 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
- Contract income – income in connection with the sale of communication systems equipment for intelligent buildings and provision of installation services

Six months ended 30 September 2008 (unaudited)

	Sales and integration services	Services income	Contract income	Consolidated
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
TURNOVER				
External sales	69,295	12,448	1,009	82,752
SEGMENT RESULTS	2,424	2,499	358	5,281
Unallocated corporate income				32,389
Unallocated corporate expenses				(5,631)
Share of results of associates				(1,362)
Profit before taxation				30,677
Taxation				(923)
Profit for the period				<u>29,754</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

5. SEGMENT INFORMATION (continued)

Six months ended 30 September 2007 (unaudited)

	Sales and integration services	Services income	Contract income	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External sales	22,450	6,313	1,633	30,396
SEGMENT RESULTS	(8,759)	(2,977)	285	(11,451)
Unallocated corporate income				972
Unallocated corporate expenses				(13,647)
Share of results of associates				(2,666)
Finance costs				(1,052)
Loss before taxation				(27,844)
Taxation				(79)
Loss for the period				<u>(27,923)</u>

Geographical segments

No geographical segment analysis is provided as substantially of the Group's turnover and contribution to results were derived from the PRC.

6. TAXATION

	Six months ended	
	30.9.2008	30.9.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Taxation charge comprises:		
Taxation in the People's Republic of China (the "PRC"):		
– current period	923	79

No Hong Kong Profits Tax has been provided in the financial statements as the Company has no assessable profit for the period (2007: Nil)

Taxation in the PRC is calculated at the rates of taxation prevailing in the PRC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

7. PROFIT/(LOSS) FOR THE PERIOD

Profit/(Loss) for the period has been arrived at after charging:

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss on goodwill	–	11,160
Depreciation of property, plant and equipment	4	76
Exchange loss, net	–	447
Written off of property, plant and equipment	1	1,188
Staff costs (including directors' emoluments)		
– salaries and allowance	2,855	2,493
– provident fund contributions	5	14
	<u> </u>	<u> </u>

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the six months ended 30 September 2008 is based on the net profit attributable to shareholders of HK\$27,621,000 (Net loss attributable to shareholders for the six month ended 30 September 2007 of HK\$27,923,000) and on weighted average number of ordinary shares in issue during the period of 1,850,178,876 (For the six months ended 30 September 2007: 1,391,162,483) shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preference shares and convertible share options.

Diluted earnings per share for the six months ended 30 September 2008 was calculated based on the net profit attributable to shareholders of HK\$27,621,000 and on the adjusted weighted average number of 5,407,555,925 shares which was the weighted average number of shares in issue during the period used in the computation of basic earnings per share plus the weighted average number of 3,557,377,049 shares deemed to be issued at no consideration if all outstanding options and preference shares had been exercised.

Diluted loss per share for the six months ended 30 September 2007 is not presented because the Group has no potential dilutive ordinary share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group written off certain property, plant and equipment amounting to approximately HK\$1,000 in pursuant to the restructuring proposal.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

10. TRADE AND OTHER RECEIVABLES

According to the contracts entered into with trade customers, an average of 90% of the contract revenue is normally repayable within 90 days from the date of receipt of customers' acceptance, whereas the remaining 10% of trade receivables represent retentions held by customers which are normally due one year after project completed. The following is an aging analysis of trade receivables included in trade and other receivables at the balance sheet date:

	30.9.2008 <i>HK\$'000</i> (unaudited)	31.3.2008 <i>HK\$'000</i> (audited)
Trade receivables:		
0-30 days	4,025	856
31-90 days	7,278	1,671
Over 90 days	18,140	6,408
	<hr/>	<hr/>
	29,443	8,935
Other receivables	19,733	35,664
	<hr/>	<hr/>
	49,176	44,599
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables included in trade and other payables at the balance sheet date:

	30.9.2008 <i>HK\$'000</i> (unaudited)	31.3.2008 <i>HK\$'000</i> (audited)
Trade payables:		
0-90 days	5,329	2,985
91-180 days	7,502	8,167
Over 180 days	26,474	28,418
	<hr/>	<hr/>
	39,305	39,570
Other payables	43,943	103,355
	<hr/>	<hr/>
	83,248	142,925
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

12. BORROWINGS

Pursuant to the Restructuring Scheme on 20 August 2008, the debt restructuring has been effected through both the Hong Kong and the Bermuda Schemes of arrangement between the Company and the creditors. All the Company's indebtedness has been compromised and discharged in full.

13. SHARE CAPITAL

	Number of shares '000	Share capital HK\$ '000 (unaudited)
Authorised:		
Ordinary shares of HK\$0.10 each at 1 April 2008	3,000,000	300,000
Reduction of par value from HK\$0.10 to HK\$0.01 (Note a (iv))	27,000,000	–
Increase in authorized share capital during the period (Note b)	<u>70,000,000</u>	<u>700,000</u>
Ordinary shares of HK\$0.01 each at 30 September 2008	<u><u>100,000,000</u></u>	<u><u>1,000,000</u></u>
Convertible preference shares of HK\$0.01 each at 30 September 2008	<u><u>11,000,000</u></u>	<u><u>110,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1 April 2008	1,391,163	139,116
Reduction of par value from HK\$0.10 to HK\$0.01 (Note a(i))	–	(125,204)
New issue of share capital	<u>4,000,000</u>	<u>40,000</u>
Ordinary shares of HK\$0.01 each at 30 September 2008	<u><u>5,391,163</u></u>	<u><u>53,912</u></u>
Issued and fully paid convertible preference shares:		
At 1 April 2008	–	–
Issue of convertible preference shares through the Subscription	<u>11,000,000</u>	<u>110,000</u>
Convertible preference shares of HK\$0.01 each at 30 September 2008	<u><u>11,000,000</u></u>	<u><u>110,000</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

13. SHARE CAPITAL (continued)

Note:

- a) The capital restructuring involved the followings:-
- i The cancellation of the paid up capital to the extend of HK\$0.09 on each issued share of par value of HK\$0.10 in the share capital of the Company such that the nominal value of all the issued share will be reduced from HK\$0.10 to HK\$0.01 each, resulting in the reduction of the issued share capital of the Company by HK\$125,204,623 from HK\$139,116,248 to HK\$13,911,625.
 - ii by cancelling the entire amount standing to the credit of the share premium account of the Company and the transfer of the credit arising therefrom to the contributed surplus account;
 - iii by settling off the credit of the contributed surplus account against the cumulative deficits;
 - iv. by subdividing each of the authorised but unissued shares in the share capital of the Company into 10 new shares;
 - v. The redesignation of 11,000,000,000 new authorised shares into 11,000,000,000 convertible preference shares.

The above capital restructuring became effective on 20 August 2008 upon the filing of the court order with the Companies Registry of the Hong Kong Scheme and the Registrar of Companies of the Bermuda.

- b) By way of a special resolution in the extraordinary general meeting held on 23 June 2008, the Company's authorised share capital was increased from HK\$300,000,000 to HK\$1,000,000,000 by creation of an additional 70,000,000,000 new shares of HK\$0.01 each, immediately upon the capital reduction, the capital cancellation and share consolidation became effective.
- c) The convertible preference shares were issued at a total consideration of HK\$110,000,000. Their rights, privileges and restrictions are set out below:-

Maturity Date: five years from the date of issue of the relevant Convertible Preference Shares.

Conversion period: During the period beginning on the date of the Date of Issue and ending at close of business in Hong Kong on the fifth anniversary of the Date of Issue (the "Maturity Date") (both dates inclusive), each holder of Convertible Preference Shares shall have the right at any time and from time to time to convert all or part (any conversion in part being in amounts or integral multiples of 2,000 Ordinary Shares or such other number as many for the time being a board lot of Ordinary Shares on The Stock Exchange of Hong Kong Limited or such other stock exchange which in the opinion of the board of the Company is the principal stock exchange on which the Ordinary Shares are listed or traded) of his holding of such Convertible Preference Shares into fully paid Ordinary Shares (subject as provided below) in accordance with the conversion price set out in paragraph below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

13. SHARE CAPITAL (continued)

Conversion of the Convertible Preference Shares may be effected in such manner as the board of Directors shall from time to time determine (subject to the applicable laws and regulations). The Company shall have the right to defer the issue and allotment of the Ordinary Shares arising under the exercise of the conversion rights attaching to the Convertible Preference Shares or mandatory conversion of the outstanding Convertible Preference Shares to a date falling ninety days after conversion or such longer period as the board of Directors may consider appropriate and necessary in the event a conversion will result in the failure by the Company to comply with the level of public float as prescribed under the Listing Rules from time to time. The Company shall be entitled to defer the issue and allotment of the Ordinary Shares until the proposal by the holder of the Convertible Preference Shares to restore the public float is implemented to its satisfaction.

Conversion price: One Convertible Preference Shares shall be convertible into one Ordinary Share at the par value of an Ordinary Share, subject to adjustments in the customary manner such as share consolidations, share subdivisions, capitalization issues, capital distributions, right issues and issues of other securities for cash or otherwise.

Rights to income, capital and voting:

- i) The Convertible Preference Shares shall carry on income and dividend;
- ii) On a return of capital on liquidation, the assets of the Company available for distribution among the members shall be applied in repaying the holders of the Convertible Preference Shares and the issued value thereof (being the par value of HK\$0.01 per Convertible Preference Shares). The Convertible Preference Shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue;
- iii) Holder(s) of Convertible Preference Shares shall not be entitled to vote at general meeting of the holders of the Ordinary Share.

Transferability: The Convertible Preference Shares are freely transferable provided that the Convertible Preference Shares cannot be transferred to connected persons of the Company (within the meaning of the Listing Rules). Once a conversion notice is served by the holder of the Convertible Preference Shares, the Convertible Preference Shares subject to the conversion notice shall not be transferable except where such conversion will result in the Company failing to comply with the public float requirement, in which case, the holder of the Convertible Preference Shares may still transfer the Convertible Preference Shares subject to the conversation notice.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

13. SHARE CAPITAL (continued)

- d) The Liability component of the Preference Shares recognised in the balance sheet is calculated as follows:

	<i>HK\$'000</i>
Proceeds from issue of the Convertible Preference Shares	110,000
Equity component at date of issue	<u>(110,000)</u>
Liability component at 30 September 2008	<u><u>–</u></u>

14. RELATED PARTY TRANSACTION

During the period, the Group had the following transaction with a related company in the normal course of business:

	Six months ended	
	30.9.2008	30.9.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Administrative services fee paid to: Wai Chun Mining Group Industry Company Limited ("Wai Chun Mining")	<u>200</u>	<u>–</u>

Mr. Lam Ching Kui, a director of the Company, also being a director and the ultimate controlling shareholder of the above-named company.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

15. LITIGATIONS

HONG KONG POSITION

- (a) Pursuant to an order of the High Court of Hong Kong dated 17 May 2007, provisional liquidators were appointed in respect of the Company. A scheme of arrangement was subsequently made pursuant to section 166 of the Companies Ordinance (Cap. 32) (“Hong Kong Scheme”). The Hong Kong Scheme was approved by the Independent Shareholders at the special general meeting of the Company held on 23 June 2008, and by the required majority of the Creditors at the Creditors’ meeting held in Hong Kong on 23 June 2008. On 5 August 2008, the Hong Kong Scheme was sanctioned by the High Court of Hong Kong. The Court order sanctioning the Hong Kong Scheme was filed with the Hong Kong Companies Registry on 19 August 2008. The Hong Kong Scheme has become effective and the provisional liquidators have been discharged.

Clause 4 of the Hong Kong Scheme provides for a Bar to further proceedings (“Bar to Further Proceedings”). According to this clause, as from the date on which the Hong Kong Scheme has become effective (“Effective Date”), none of the creditors of the Company shall be entitled to demand or exercise any right of set-off against the Company in respect of its Claims as defined in the Hong Kong Scheme (which is defined widely to cover any debt, liability, or obligation of the Company as at the Effective date, whether known or unknown, whether certain or contingent, whether liquidated or unliquidated), nor be able to seek to recover from the Company by legal process or otherwise, or to take any steps or proceedings against the Company or its assets, for the purpose of enforcing its Claims or recovering any part of its Claim by way of execution or otherwise, or to commence or prosecute or join in any proceedings to wind up the Company based upon its Claim.

The Hong Kong Scheme has effect in relation to all such Claims, including the pending or threatened litigations disclosed in the annual report 2008 of the Company dated 12 August 2008 (“Annual Report”) in respect of the jurisdiction of Hong Kong Courts. In particular –

- (i) By virtue of the Bar to Further Proceedings, Shenzhen Longtai Technology & Development Company Limited shall no longer be entitled to pursue the claims against the Company.
- (ii) The claims made by Showa Leasing (Hong Kong) Limited (“Showa”), which is the “Secured Creditor” under the Hong Kong Scheme, have been settled and discharged pursuant to the Hong Kong Scheme.
- (iii) The winding-up petition (Winding-up proceedings no. 612 of 2006) issued by Lolliman Finance Limited (“Lolliman”), which is the Petitioning Creditor under the Hong Kong Scheme, has been dismissed.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

15. LITIGATIONS (continued)

MAINLAND CHINA POSITION

- (b) On 14 August 2003, New China Trust and Investment Co., Ltd. (“New China”), an unsecured creditor of Beijing HollyBridge (a subsidiary of the Company) instituted legal proceedings against Beijing HollyBridge for its inability to repay a loan of approximately RMB19.1 million together with an accrued interest of approximately RMB2.7 million for the loan granted to Beijing HollyBridge.

A settlement agreement has been made between New China, Beijing HollyBridge and a related company on 17 June 2008 for the total sum of RMB23.6 million, inclusive of interest. It was agreed and undertaken by Beijing HollyBridge and the related company that 30% of the claim made by New China will be settled by Beijing HollyBridge or the Company upon resumption of trading in the Shares whilst the remaining portion of New China’s claim will be settled by Beijing HollyBridge or the Company within 6 to 10 months from the day of resumption of trading in the Shares. As at the date of report, 30% of the claim made by New China has been settled according to the settlement agreement and the outstanding balance due to New China as at 30 September 2008 in the amount of approximately RMB16.5 million is expected to be settled by the Company around March 2009. The said amount was provided in the financial statements for the year ended 31 March 2008.

- (c) On 27 March 2006, 3D Networks Co. Ltd. (三力網絡有限公司) (“3D Networks”) filed a civil claim against Beijing HollyBridge alleging the non-payment of approximately RMB0.49 million under the sale and purchase of goods contract dated 8 August 2002. A settlement agreement has been made between 3D Networks and Beijing HollyBridge on 15 October 2008. It is proposed that the outstanding amount to be RMB0.64 million inclusive of interest. Beijing HollyBridge agreed to pay RMB100,000 by 31 October 2008 and to pay a minimum of RMB50,000 per month from November 2008 onwards with a view to settle the remaining sum by 28 February 2009. As at 30 September 2008, the outstanding amount of Beijing Hollybridge due to 3D Networks were approximately RMB0.6 million. The Company has been repaying the outstanding amount to 3D Network according to the above schedule. The said amount was fully provided in the financial statements for the year ended 31 March 2008.

Save as disclosed above, as at the date of report, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the directors to be pending or threatened against the Company or any of its subsidiaries.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

16. POST BALANCE SHEET EVENTS

Details of significant events which took place subsequent to 30 September 2008 are set out as follows:

1) *Change of company name*

The English name of the Company had been approved to change from “Wai Chun Group Limited” to “Wai Chun Group Holdings Limited” by Bermuda Company Registrars on 19 November 2008. The Company is still in the process of the change of company name in Hong Kong.

2) *Resignation and Appointment of Executive Director*

Mr. Zhang Xin was resigned as executive director of the Company on 7 November 2008 and Mr. Guo Qing Hua was appointed as executive director of the Company on the same date.

On December 5, 2008, Mr Li Tong has been resigned as executive director of the Company.

3) *Disposal of an associate*

Subsequent to the balance sheet date, Beijing HollyBridge, a subsidiary of the Company, disposed of 39% equity interest in an associate at the consideration of RMB6.5 million, in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2008

INTERIM DIVIDEND

The Board of directors (the “Board”) of Wai Chun Group Limited (the “Company” together with its subsidiaries, collectively the “Group”) does not recommend any interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: nil).

BUSINESS REVIEW

The revenue of the Group for the six months ended 30 September 2008 of approximately HK\$82.8 million represented a significant increase of approximately 172% compared to approximately HK\$30.4 million recorded in the corresponding period of last year. During the Period under review, some major projects in the provision of telecommunication infrastructure solutions services to a bank were completed and various new projects were entered between customers and the Group. With significant increment in revenue as well as the reversal of liability of creditors as approved by Hong Kong and Bermuda Court and Creditors Meeting, the Group recorded profit after tax attributable to equity holders for the period ended 30 September 2008 of approximately HK\$27.6 million, comparing the loss of approximately HK\$27.9 million for the last corresponding period.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are: i) provision of solutions of software and service; ii) trading of communication products; iii) provision of financial services; iv) investment holding; and v) provision of telecommunication infrastructure solution service. Following the completion of group restructuring on 20 August 2008, the Group has started a new page for focusing its existing business. During the period under review, the Group was still carrying business in the provision of integration services of computer and communication.

Through the operations of Beijing HollyBridge System Integration Co., Limited (“Beijing HollyBridge”), the major subsidiary of the Group, the Group has provided one stop solution, including hardware and system modification for the customers. During the period under review, Beijing HollyBridge has entered into service contracts with various customers such as banks, governmental agencies, public transportation companies and internationally well-known computer network companies of approximately RMB 61.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2008

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2008 were approximately HK\$190.9 million (31 March 2008: HK\$96.3 million) which were approximately financed by total liabilities and shareholders' fund of HK\$102.8 million (31 March 2008: HK\$206.9 million) and HK\$88.1 million (shareholders' deficit as at 31 March 2008: HK\$110.6 million) respectively.

After the completion of restructuring of the Group with new capital injection on 20 August 2008 and as at 30 September 2008, the Group has more than HK\$113.4 million cash on hand and approximately HK\$18.8 million in other borrowings.

CAPITAL STRUCTURE

Upon to the completion of group restructuring on 20 August 2008, the Company increased its authorized share capital of the Company from HK\$300,000,000 divided into 3,000,000,000 shares at HK\$0.10 each into HK\$1,000,000,000 divided into 100,000,000,000 shares at HK\$0.01 each. Before the group restructuring, the number of issued ordinary shares of the Company was 1,391,162,483 at HK\$0.10 each. Pursuant to the group restructuring, the issued share capital of the Company was reduced by cancelling the paid up capital to the extent of HK\$0.09 each on each issued share of par value HK\$0.10 in the share capital of Company such that the nominal value of all issued shares was reduced from HK\$0.10 to HK\$0.01 each.

Pursuant to the group restructuring, the Company issued 4,000,000,000 ordinary shares at HK\$0.01 each, 11,000,000,000 convertible preference shares at HK\$0.01 each and 20,000,000,000 at HK\$0.001 each. The proceeds in the amounts of HK\$170 million were mainly used for settlement of outstanding debts and restructuring costs in accordance with the Hong Kong and Bermuda Court Scheme and the remaining balance were used working capital for the Group. As of the date of the completion of group restructuring, the number of issued ordinary shares of the Company was at 5,391,162,483 HK\$0.01 each.

EXPOSURE TO FOREIGN EXCHANGE

The revenue and bank of deposit of the Group are mainly denominated in Renminbi and Hong Kong Dollars. The operating costs are mainly denominated in Hong Kong dollars and Renminbi. Therefore, the Group is not exposed to any material foreign currency exchange risk. The Group does not therefore engage in hedging contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2008

CHARGE ON ASSETS

As at 30 September 2008, no assets was secured by other borrowings of the Group (31 March 2008: Nil).

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 September 2008, the Group had approximately 40 employees (31 March 2008: 50). The Group has maintained a policy to ensure that the pay levels of its employees are competitive and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system.

There has been no change to the terms of the share option scheme. No new share options were granted during the current period. No share options was exercised during the period and therefore, the total outstanding share options granted to certain directors and employees amounted to nil as at 30 September 2008 (31 March 2008: 44,519,000).

RESUMPTION OF SHARES TRADING

The trading of shares of the Company in the Hong Kong Stock Exchange was resumed on 25 August 2008.

CHANGE OF COMPANY NAME

The English name of the Company had been approved to change from "Wai Chun Group Limited" to "Wai Chun Group Holdings Limited" by Bermuda Company Registrars on 19 November 2008. The Company is still in the process of the change of company name in Hong Kong.

PROSPECTS

Following the completion of group restructuring, it is expected that the business performance of the Group however be improved. The Group has turned into a new page by developing its core business. The Group is continuously signing new and future service contracts that will bring future prospect of the Group.

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2008, the interests of the directors and their associates in the shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

Name	Number of Shares held			Percentage of shareholding
	Personal interests	Corporate interests	Total	
Lam Ching Kui	-	35,000,000,000 (Note 1)	35,000,000,000	649.21% (Note 2)

Notes:

1. Mr. Lam Ching Kui is the beneficial owner of the entire issued share capital of Wai Chun Ventures Limited, which owned 4,000,000,000 Shares as at the 30 September 2008, HK\$110,000,000 convertible preference shares giving rise to an interest in 11,000,000,000 underlying Shares and 20,000,000,000 options for subscribing 20,000,000,000 Shares.
2. Based on the existing issued share capital of the Company of 5,391,162,483 Shares as at the 30 September 2008, the 4,000,000,000 Shares and 11,000,000,000 underlying Shares under the HK\$110,000,000 convertible preference shares and 20,000,000,000 Shares under the 20,000,000,000 options represent 74.20% and 204.03% and 370.98% of the issued share capital of the Company respectively, thus the total of deemed interests of 35,000,000,000 Shares represents 649.21% of the existing share capital of the Company.

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Directors' interests in associated corporation

Name	Nature of associated corporation	Capacity	Number of shares	Percentage of shareholding
Lam Ching Kui	Wai Chun Ventures Limited	Beneficial Owner	10 ordinary shares	100%

Directors' interests in share options of the Company

As 30 September 2008, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken pr deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing of the Listing of Securities on the Stock Exchange ("Listing Rules") to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008 the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

SUBSTANTIAL SHAREHOLDERS (continued)

So far as is known to the Directors, as at 30 September 2008, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, who is expected, directly or indirectly, to be interest in 5 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follow:

Name of Shareholder	Capacity	Number of Shares	Percentage of shareholding
Wai Chun Ventures Limited	Beneficial Owner	35,000,000,000 (Note 1)	649.21% (Note 2)

Notes:

1. Mr. Lam Ching Kui, the Chairman and executive Director of the Company, is the beneficial owner of the entire issued share capital of Wai Chun Ventures Limited, which owned 4,000,000,000 Shares as at 30 September 2008, HK\$110,000,000 convertible preference shares giving rise to an interest in 11,000,000,000 underlying Shares and 20,000,000,000 options for subscribing 20,000,000,000 Shares. Mr. Lam Ching Kui is the sole director and shareholder of Wai Chun Ventures Limited.
2. Based on the issued share capital of the Company of 5,391,162,483 Shares as at 30 September 2008, the 4,000,000,000 Shares and 11,000,000,000 underlying Shares under the HK\$110,000,000 convertible preference shares and 20,000,000,000 Shares under the 20,000,000,000 options represent 74.20% and 204.03% and 370.98% of the existing issued share capital of the Company respectively, thus the total of deemed interests of 35,000,000,000 Shares represents 649.21% of the existing issued share capital of the Company.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the 30 September 2008, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of the providing incentives and rewards to eligible participants who contribute to the success of the Group’s business. Eligible participants of the Scheme include any director (including executive, non-executive and independent non-executive director), any employee, or any consultant, advisor, customer, shareholder and business associate.

The following table discloses movements in the Company’s share options held by the Company’s directors, employees and other registered holders under the Scheme during the period:

Name of ex-director	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1 April 2008	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2008
Mr. Zhou Yishang (“Mr. Zhou”)	29 August 2001	29 August 2001 to 28 August 2011 (Note a and b)	0.3520	20,000,000	–	(20,000,000)	–
Mr. Hu Jian (“Mr. Hu”)	29 August 2001	29 August 2001 to 28 August 2011 (Note a and b)	0.3520	3,800,000	–	(3,800,000)	–
				<u>23,800,000</u>	<u>–</u>	<u>(23,800,000)</u>	<u>–</u>
Other employees In aggregate	29 August 2001	29 August 2001 to 28 August 2011 (Note a and b)	0.3520	20,719,000	–	(20,719,000)	–
				<u>44,519,000</u>	<u>–</u>	<u>(44,519,000)</u>	<u>–</u>

SHARE OPTION SCHEME (continued)

Note:

- a. The options have vested in four tranches in the proportion of 15%: 25%: 30%: 30%. The first, the second, the third and the fourth tranches of the options have vested on 1 April 2002, 1 April 2003, 1 April 2004, 1 April 2005 respectively.
- b. Subsequent to removal of Mr. Zhou and Mr. Hu as the Directors of the Company and those staff whose granted share options, the share options of the above-mentioned persons were lapsed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and the knowledge of Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

CORPORATE GOVERNANCE

The Group is committed to ensuring high standard of corporate governance as the Directors believe it would improve effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in markets and enhancing shareholders' value in consequence.

Compliance with the “Code on Corporate Governance Practices”

During the period, the Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (“CG Practices”) throughout the six months ended 30 September 2008 except the following deviations:

1. CG Practices A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. There is no separation of the role of chairman and chief executive officer of the Company. In the opinion of the Board, the existing structure is more suitable to the Company because it can promote the efficient formulation and implementation of Company's strategy. The Board considers this structure will not impair the balance of power as there is a strong independent element in the composition of the Board with half of Board's member is independent. The Board would review the structure from time to time as and when it becomes appropriate in the future;
2. CG Practices A4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The appointment of independent non-executive directors had not been fixed the terms and the Company is reviewing this issue including for the appointment for fixed terms with those independent non-executive directors; and
3. CG Practices E1.2 stipulates that the chairman of the Board should attend annual general meeting of the Company. The chairman did not attend and chair the 2008 annual general meeting as he had a meeting which must be attended by him during the annual general meeting.

CORPORATE GOVERNANCE (continued)**Compliance with the “Model Code”**

The Company has adopted the Model Code for Securities Transactions by directors of Listed Companies (“Model Code”) contained in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirmed that they complied with the “Model code” during the period.

Audit Committee

The Audit Committee, which was formed on 20 August 2008, comprises three independent non-executive Directors, namely Dr. Tang Tin Sek (Chairman of the Committee), Mr. Ko Ming Tung Edward and Mr. Chan King Hung with written terms of reference in line with the code provisions set out in the CG Practices. The Audit Committee has reviewed with management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the Interim Financial Statements for the six months ended 30 September 2008. The Audit Committee is not aware of any material modifications that should have been made to the Interim Financial Statements for the six months ended 30 September 2008.

Remuneration Committee

The Remuneration Committee, which was formed on 20 August 2008, comprises three independent non-executive Directors, namely, Mr. Ko Ming Tung Edward (Chairman of the Committee), Dr. Tang Tin Sek, Mr. Chan King Hung and one executive Director namely Mr. Lam Ching Kui.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure in relation to the remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

ADDITIONAL INFORMATION

For the six months ended 30 September 2008

CORPORATE GOVERNANCE (continued)

Nomination Committee

The Nomination Committee, which was formed on 20 August 2008, comprises three independent non-executive Directors, namely, Mr. Chan King Hung (Chairman of the Committee), Dr. Tang Tin Sek, Mr. Ko Ming Tung Edward and one executive Director namely Mr. Lam Ching Kui.

The principal responsibilities of the Nomination Committee include making recommendations to the Board on the appointment of suitable candidates for new directors.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the Interim Financial Statements for the six months ended 30 September 2008, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the Interim Financial Statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPRECIATION

I would like to take this opportunity to thank the directors and staff members for their contributions. My gratitude also goes to our shareholders, business partners and customers for their continuous support.

By order of the Board

Lam Ching Kui

Chairman

Hong Kong, 23 December 2008