



Wai Chun Group Holdings Limited*

(Incorporated in Bermuda with limited liability)

(Stock code: 1013)

2012

Interim Report

* for identification purpose only

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Corporate Information

EXECUTIVE DIRECTORS

Lam Ching Kui (*Chairman*)
Lu Jun Wu (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ko Ming Tung, Edward
Shaw Lut, Leonardo
To Yan Ming, Edmond

AUTHORISED REPRESENTATIVES

Lam Ching Kui
Lu Jun Wu

COMPANY SECRETARY

Kam Man Yi

AUDIT COMMITTEE

To Yan Ming, Edmond (*Chairman*)
Ko Ming Tung, Edward
Shaw Lut, Leonardo

REMUNERATION COMMITTEE

Ko Ming Tung, Edward (*Chairman*)
Lam Ching Kui
Shaw Lut, Leonardo
To Yan Ming, Edmond

NOMINATION COMMITTEE

Shaw Lut, Leonardo (*Chairman*)
Ko Ming Tung, Edward
Lam Ching Kui
To Yan Ming, Edmond

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13/F, Admiralty Centre, Tower II,
18 Harcourt Road,
Admiralty, Hong Kong

AUDITOR

HLM & Co.
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTRAR IN HONG KONG

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL BANKER

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

STOCK CODE

1013

COMPANY WEBSITE

www.1013.hk

Management Discussion and Analysis

INTERIM RESULTS

For the six months ended 30 September 2012, the Group recorded a turnover of approximately HK\$81,174,000 (six months ended 30 September 2011: approximately HK\$61,344,000), representing an increase of 32% as compared to the corresponding period last year. Loss attributable to shareholders of the Company was approximately HK\$984,000 for the six months ended 30 September 2012 (six months ended 30 September 2011: approximately HK\$17,942,000) with a significant improvement of 95% from the corresponding period last year.

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group continues on the production of software and provision of solutions and related services, trading of communication products, provision of telecommunications infrastructure solution services, investment holdings and securities investments. Through the operations of Beijing HollyBridge System Integration Co., Limited (“Beijing HollyBridge”), the major subsidiary of the Group, the Group is providing one stop solution, including hardware and system modification for the customers.

During the period under review, the group recorded an increase in turnover of 32% mainly attributable to increase in both the sales and integration services and services income. With more effort and increased resources in the sales and marketing team, sales and integration services contracts entered into with various customers such as banks, governmental agencies and public transportation companies increased approximately HK\$12,942,000 or 26% as compared to corresponding period last year. Services income increased significantly from approximately HK\$11,604,000 in the first half of year 2011 to approximately HK\$18,492,000 in the first half of this year, representing a 59% increase. As most of the services income were derived from after sales services mainly repairs and maintenance of software systems produced by Beijing HollyBridge, services income increased in line with the increase in number of sales and integration services contracts.

Gross profit margin increased from 15% in first half of year 2011 to 17% in the corresponding period this year. The benefits from growth of turnover were partly offset by increases in operating costs. Major operating costs mainly selling and distribution expenses and administrative expenses increased 20% and 16% comparing to the corresponding period last year as a result of expansion of sales and marketing team and technical support team. The increase in gross profit amounted to approximately HK\$4,355,000 while the total increment in major operating costs amounted to approximately HK\$2,995,000.

Management Discussion and Analysis

With regard to securities investments, listed securities investments recorded a net unrealised loss of approximately HK\$457,000 during the period, with an improvement of approximately HK\$10,031,000 from last year. The investment strategy of the Group remains conservative and cautious.

Looking forward, the Management will continue to devote its effort in strengthening its sales and marketing team as well as enhancing operational efficiency to lead the Group to a more profitable position. The Board will also take a prudent approach to seek for potential investment opportunities in different business sectors at an acceptable risk level with a view of improving its business performance.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September 2012, the Group did not have any external borrowings. Bank balances and cash amounted to approximately HK\$3,782,000 as at 30 September 2012 which are denominated in Hong Kong Dollars and Renminbi.

The Group had no assets pledged or any material contingent liabilities as at 30 September 2012. At the end of the period, the current ratio of the Group increased from 1.22 to 1.25.

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

Other Information

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

As at 30 September 2012, the interests and short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV 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:

Long positions in shares and underlying shares in the Company

Name of Director	Capacity	Number of Shares Held	Approximate percentage of shareholding
Lam Ching Kui	Interests of controlled corporations	35,000,000,000 (Note 1)	649.21% (Note 2)

Notes:

1. The 35,000,000,000 Shares are held by Wai Chun Ventures Limited which represents the aggregate of (i) 4,000,000,000 Shares (ii) HK\$110,000,000 convertible preference shares giving rise to an interest in 11,000,000,000 underlying Shares and (iii) 20,000,000,000 options for subscribing 20,000,000,000 Shares. Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which wholly owns Wai Chun Ventures Limited.
2. Based on the issued share capital of the Company of 5,391,162,483 Shares as at 30 September 2012, 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 held by Wai Chun Ventures Limited represents 74.20% and 204.03% and 370.98% of the existing issued share capital of the Company respectively.

Save as disclosed above, as at 30 September 2012, none of the Directors of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Directors' rights to acquire shares

At no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, 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 Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Capacity	Number of Shares Held	Approximate percentage of shareholding
Wai Chun Ventures Limited	Beneficial owner	35,000,000,000 (Note 1)	649.21% (Note 2)
Wai Chun Investment Fund	Interests of controlled corporations	35,000,000,000 (Note 1)	649.21% (Note 2)

Notes:

1. The 35,000,000,000 Shares are held by Wai Chun Ventures Limited which represents the aggregate of (i) 4,000,000,000 Shares (ii) HK\$110,000,000 convertible preference shares giving rise to an interest in 11,000,000,000 underlying Shares and (iii) 20,000,000,000 options for subscribing 20,000,000,000 Shares. Mr. Lam Ching Kui is the beneficial owner of Wai Chun Investment Fund which wholly owns Wai Chun Ventures Limited.
2. Based on the issued share capital of the Company of 5,391,162,483 Shares as at 30 September 2012, 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 held by Wai Chun Ventures Limited represents 74.20% and 204.03% and 370.98% of the existing issued share capital of the Company respectively.

Other Information

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 September 2012, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short positions in shares and underlying shares in the Company

As at 30 September 2012, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

Other persons

As at 30 September 2012, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Share Options

Wai Chun Ventures Limited Option

On 20 August 2008, the Company issued 20,000,000 options to Wai Chun Ventures Limited to subscribe for 20,000,000 ordinary shares of the Company at HK\$0.01 each (the "Option"). The Option is exercisable in whole or in part at any time for a period of five years commencing 20 August 2008 at an exercise price of HK\$0.01 per share. The Option was issued at a consideration of HK\$20,000,000.

EMPLOYEES

As at 30 September 2012, the Group had a total of 106 employees, the majority of whom are situated in the PRC. 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 life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

Other Information

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2012.

CORPORATE GOVERNANCE

During the six months ended 30 September 2012, the Company complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except code provision A4.1.

Code A4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election. The Company has not fixed the term of appointment of Mr. Ko Ming Tung, Edward as the Independent Non-executive Director, however, all Independent Non-executive Directors are subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant the Company's bye-laws. As such, the Board considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2012.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established 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.

An Audit Committee meeting was held on 26 November 2012 to review the unaudited interim financial report for six months ended 30 September 2012. HLM & Co., the Group’s external auditor, has carried out a review of the unaudited interim financial report for the six months ended 30 September 2012 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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.

On behalf of the Board
Wai Chun Group Holdings Limited
Lam Ching Kui
Chairman

Hong Kong, 26 November 2012

Independent Review Report

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF WAI CHUN GROUP HOLDINGS LIMITED

偉俊集團控股有限公司

(Incorporated in the Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wai Chun Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 40, which comprise the condensed consolidated statement of financial position as at 30 September 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain 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 34 "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

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

Independent Review Report

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

HLM & Co.

Certified Public Accountants

Hong Kong,

26 November 2012

Condensed Consolidated Income Statement

For the six months ended 30 September 2012

	Notes	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Turnover	3	81,174	61,344
Cost of sales		(67,322)	(51,847)
Gross profit		13,852	9,497
Other income	4	8,402	547
Net unrealised loss on held for trading investments		(457)	(10,488)
Net realised loss on disposal of held for trading investments		—	(355)
Selling and distribution expenses		(7,409)	(6,158)
Administrative expenses		(12,524)	(10,780)
Finance costs		(525)	(82)
Profit (loss) before taxation		1,339	(17,819)
Taxation	5	(927)	(123)
Profit (loss) for the period	6	412	(17,942)
Profit (loss) attributable to:			
Shareholders of the Company		(984)	(17,942)
Non-controlling interests		1,396	—
		412	(17,942)
Loss per share	8	HK cents	HK cents
Basic		(0.02)	(0.33)
Diluted		(0.02)	(0.33)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit (loss) for the period	412	(17,942)
Other comprehensive income (expense):		
Exchange differences arising on translation	96	(291)
Other comprehensive income (expense) for the period	96	(291)
Total comprehensive income (expense) for the period	508	(18,233)
Total comprehensive income (expense) for the period attributable to:		
Shareholders of the Company	(883)	(18,233)
Non-controlling interests	1,391	—
	508	(18,233)

Condensed Consolidated Statement of Financial Position

At 30 September 2012

	Notes	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
NON-CURRENT ASSET			
Property, plant and equipment	9	14,090	13,821
CURRENT ASSETS			
Inventories	10	29,780	24,887
Trade and other receivables, prepayments and deposits	11	33,467	16,149
Held for trading investments	12	15,158	15,615
Fixed deposits		300	300
Bank balances and cash		3,782	23,749
		82,487	80,700
CURRENT LIABILITIES			
Trade and other payables	13	65,233	66,359
Tax payable		665	—
		65,898	66,359
NET CURRENT ASSETS			
		16,589	14,341
TOTAL ASSETS LESS CURRENT LIABILITIES			
		30,679	28,162
NON-CURRENT LIABILITY			
Loan from the ultimate holding company	14	17,268	15,259
NET ASSETS			
		13,411	12,903
CAPITAL AND RESERVES			
Share capital	15	53,912	53,912
Reserves		(41,617)	(40,734)
Equity attributable to Shareholders of the Company		12,295	13,178
Non-controlling interests	16	1,116	(275)
TOTAL EQUITY			
		13,411	12,903

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Share capital HK\$'000	Convertible preference shares HK\$'000	Convertible share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to shareholders of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2012 (audited)	53,912	110,000	20,000	(5,491)	(165,243)	13,178	(275)	12,903
(Loss) profit for the period	—	—	—	—	(984)	(984)	1,396	412
Other comprehensive income (expense) for the period	—	—	—	101	—	101	(5)	96
Total comprehensive income (expense) for the period	—	—	—	101	(984)	(883)	1,391	508
At 30 September 2012 (unaudited)	53,912	110,000	20,000	(5,390)	(166,227)	12,295	1,116	13,411
At 1 April 2011 (audited)	53,912	110,000	20,000	(5,003)	(138,268)	40,641	—	40,641
Loss for the period	—	—	—	—	(17,942)	(17,942)	—	(17,942)
Other comprehensive expense for the period	—	—	—	(291)	—	(291)	—	(291)
Total comprehensive expense for the period	—	—	—	(291)	(17,942)	(18,233)	—	(18,233)
At 30 September 2011 (unaudited)	53,912	110,000	20,000	(5,294)	(156,210)	22,408	—	22,408

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Net cash used in operating activities	(22,150)	(9,682)
Net cash (used in) generated from investing activities	(214)	3,108
Net cash generated from financing activity	2,009	1,319
Net decrease in cash and cash equivalents	(20,355)	(5,255)
Effect of foreign exchange rate changes	388	(949)
Cash and cash equivalents at the beginning of the period	24,049	12,075
Cash and cash equivalents at the end of the period	4,082	5,871
Analysis of the balances of cash and cash equivalents		
Fixed deposits	300	300
Bank balances and cash	3,782	5,571
	4,082	5,871

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

1. BASIS OF PREPARATION

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, its ultimate holding company is Wai Chun Investment Fund, a private limited company incorporated in the Cayman Islands.

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), under the historical cost convention, except for the financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The preparation of an unaudited interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amendments to the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendments)	Disclosure — Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying asset

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle ²
HKFRS 1 (Amendments)	Government loans ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities ²
HKFRS 9	Financial instruments ⁴
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities — Transition Guidance ²
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKAS 1 (Amendments)	Presentation of items of other comprehensive income ¹
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ³
HK (IFRIC) — Int 20	Stripping costs in the production phase of a surface mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

The directors of the Group anticipate that the application for the other new and revised standards, amendments and interpretations will have no material impact on the financial performance and financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker (the "CODM") of the Group.

Business segment

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

Sales and integration services:	Income from sales and services provision of integration services of computer and communication systems
Services income:	Income from design, consultation and production of information system software and management training services
Securities investments:	Listed securities in held for trading investments

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 September 2012 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Total HK\$'000
TURNOVER				
External sales	62,682	18,492	—	81,174
SEGMENT RESULTS	(1,118)	4,871	(57)	3,696
Unallocated corporate income				7,877
Unallocated corporate expenses				(9,709)
Finance costs				(525)
Profit before taxation				1,339
Taxation				(927)
Profit for the period				412

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 September 2011 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Total HK\$'000
TURNOVER				
External sales	49,740	11,604	—	61,344
SEGMENT RESULTS				
Unallocated corporate income				432
Unallocated corporate expenses				(8,214)
Finance costs				(82)
Loss before taxation				(17,819)
Taxation				(123)
Loss for the period				(17,942)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 September 2012 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Total HK\$'000
Segment assets	41,897	12,361	15,158	69,416
Unallocated assets				27,161
Consolidated assets				96,577
Segment liabilities	49,494	14,601	—	64,095
Unallocated liabilities				19,071
Consolidated liabilities				83,166

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 March 2012 (audited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Total HK\$'000
Segment assets	42,661	8,615	15,615	66,891
Unallocated assets				27,630
Consolidated assets				94,521
Segment liabilities	53,304	10,764	—	64,068
Unallocated liabilities				17,550
Consolidated liabilities				81,618

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Other information

At 30 September 2012 (unaudited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amortisation of intangible asset	—	—	—	—	—
Additions to property, plant and equipment	13	4	—	612	629
Depreciation of property, plant and equipment	29	8	—	323	360
Over-provision for bad and doubtful debts	(97)	(28)	—	—	(125)

At 31 March 2012 (audited)

	Sales and integration services HK\$'000	Services income HK\$'000	Securities investments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amortisation of intangible asset	—	—	—	37	37
Additions to property, plant and equipment	80	16	—	1,070	1,166
Depreciation of property, plant and equipment	63	13	—	548	624
Allowance for bad and doubtful debts	589	119	—	—	708

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

3. SEGMENT INFORMATION (Continued)

Geographical segments

No geographical segment analysis on turnover is provided as substantially all of the Group's revenue and contribution to results were derived from the People's Republic of China (the "PRC").

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to non-current assets	
	30.9.2012 Unaudited HK'000	31.3.2012 Audited HK'000	30.9.2012 Unaudited HK'000	31.3.2012 Audited HK'000
Hong Kong	41,335	41,688	612	1,069
PRC, excluding Hong Kong	55,242	52,833	17	97
	96,577	94,521	629	1,166

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

4. OTHER INCOME

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Bank interest income	15	9
Dividend income from held for trading investments	400	115
Over-provision for bad and doubtful debts	125	260
Compensation income (Note)	7,740	—
Sundry income	122	163
	8,402	547

Note:

During the period, the Company has received the compensation income related to uncollectable receivables in previous years.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

5. TAXATION

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Taxation in the PRC:		
Current period	667	123
Under-provision in prior period	260	—
	927	123

No provision for Hong Kong Profits Tax has been provided in the condensed consolidated financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (six months ended 30 September 2011: 25%).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

6. PROFIT (LOSS) FOR THE PERIOD

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

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Amortisation of intangible asset	—	27
Depreciation on property, plant and equipment	360	267
Staff costs (including directors' emoluments)	8,703	7,015

7. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 September 2012 was based on the Group's loss attributable to shareholders of the Company of approximately HK\$984,000 (six months ended 30 September 2011: approximately HK\$17,942,000) and the number of ordinary shares of 5,391,162,483 (six months ended 30 September 2011: 5,391,162,483) in issue at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

8. LOSS PER SHARE (Continued)

Diluted loss per share is calculated by adjusting the 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.

The calculation of diluted loss per share for the six months ended 30 September 2012 and 2011 does not assume the conversion of the convertible preference shares and the exercise of the share options since their exercise would result in a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired items of property, plant and equipment with a cost of approximately HK\$629,000 (six months ended 30 September 2011: approximately HK\$258,000).

During the period, the Group had written off a cost of approximately HK\$Nil (six months ended 30 September 2011: HK\$9,000) of property, plant and equipment with no carrying amount.

10. INVENTORIES

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Work in progress	23,086	21,599
Other consumables	6,694	3,288
	29,780	24,887

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Trade receivables		
0-30 days	23,370	3,799
31-90 days	2,099	55
Over 90 days	392	1,265
	25,861	5,119
Other receivables, prepayments and deposits	7,606	11,030
Total trade and other receivables, prepayments and deposits	33,467	16,149

The directors consider that the carrying amount of trade and other receivables, prepayments and deposits approximates their fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

12. HELD FOR TRADING INVESTMENTS

Held for trading investments comprises:

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Equity securities listed in Hong Kong, at fair value	15,158	15,615

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

13. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables included in trade and other payables at the end of the reporting period:

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Trade payables		
0-90 days	37,713	39,513
91-180 days	1,748	1,449
Over 180 days	23,110	21,890
	62,571	62,852
Other payables	2,662	3,507
Total trade and other payables	65,233	66,359

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

14. RELATED PARTIES TRANSACTIONS AND BALANCES

During the period, the Group had the following transactions with related parties in the normal course of business:

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Rental expenses paid to:		
Ms. Chan Oi Mo (Note i)	1,800	1,800
Wai Chun Holdings Group Limited (Note ii)	1,594	—
	3,394	1,800
Interest expense paid to:		
Wai Chun Investment Fund (Note iii)	525	82

Notes:

- (i) Ms. Chan Oi Mo is the wife of Mr. Lam Ching Kui, a director of the Company.
- (ii) Wai Chun Holdings Group Limited is owned as to 50% by Mr. Lam Ching Kui, a director of the Company, and as to 50% by Ms. Chan Oi Mo, the wife of Mr. Lam Ching Kui.
- (iii) Wai Chun Investment Fund is the ultimate holding company of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

14. RELATED PARTIES TRANSACTIONS AND BALANCES

(Continued)

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Loan from the ultimate holding company		
Wai Chun Investment Fund	17,268	15,259

Mr. Lam Ching Kui, a director of the Company, is also the director and beneficial shareholder of the Wai Chun Investment Fund.

The amounts due are unsecured, interest-bearing and not repayable within one year.

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

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised		
Ordinary Shares of HK\$ 0.01 each at 1 April 2011, 31 March 2012 and 30 September 2012	100,000,000	1,000,000
Issued and fully paid:		
Ordinary Shares of HK\$ 0.01 each at 1 April 2011, 31 March 2012 and 30 September 2012	5,391,163	53,912
Issued and fully paid convertible preference shares:		
Convertible preference shares of HK\$ 0.01 each at 1 April 2011, 31 March 2012 and 30 September 2012	11,000,000	110,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

15. SHARE CAPITAL (Continued)

- (a) 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, 20 August 2008, 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 Preferences 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 Consolidated Financial Statements

For the six months ended 30 September 2012

15. SHARE CAPITAL (Continued)

(a) (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 of 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 Share 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, capitalisation issues, capital distributions, right issues and issues of other securities for cash or otherwise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

15. SHARE CAPITAL (Continued)

(a) (Continued)

Rights to income,
capital and voting:

- (i) The Convertible Preference Shares shall carry the right to receive 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 conversion notice.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

15. SHARE CAPITAL (Continued)

- (b) The liability component of the Preference Shares recognised in the condensed consolidated statement of financial position is calculated as follows:

	HK\$'000
Proceeds from issue of the Convertible Preference Shares	110,000
Equity component at date of issue	<u>(110,000)</u>
Liability component at 1 April 2011, 31 March 2012 and 30 September 2012	<u>—</u>

16. NON-CONTROLLING INTERESTS

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Balance at beginning of the period/year	(275)	—
Share of profit (loss) for the period/year	1,396	(275)
Exchange realignment	(5)	—
Balance at end of the period/year	1,116	(275)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

17. SHARE OPTIONS

Wai Chun Ventures Limited Option

On 20 August 2008, the Company issued 20,000,000,000 options to Wai Chun Ventures Limited to subscribe for 20,000,000,000 ordinary shares of the Company at HK\$0.01 each (the "Option"). The Option is exercisable in whole or in part at any time for a period of five years commencing 20 August 2008 at an exercise price of HK\$0.01 per share. The Option was issued at a consideration of HK\$20,000,000.

18. COMMITMENTS

(i) Operating lease commitments

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

The Group had commitments for future minimum lease payments under non-cancellable operating leases which falling due as follows:

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Within one year	4,233	4,360
In the second to fifth years, inclusive	266	1,859
	4,499	6,219

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

18. COMMITMENTS (Continued)

(ii) Capital commitments

	30.9.2012 Unaudited HK\$'000	31.3.2012 Audited HK\$'000
Contracted but not provided for in the financial statements in respect of property, plant and equipment	4,228	3,702

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.