# 偉 俊 集 團 控 股 有 限 公 司*

# WAI CHUN GROUP HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock code: 1013)**

## 2010 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of Wai Chun Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2010.

The audited consolidated results of the Group for the year 31 March 2010 together with the comparative figures of 2009 are as follows:

## CONSOLIDATED INCOME STATEMENT

*FOR THE YEAR ENDED 31 MARCH 2010*

| | *Notes* | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|---|
| **Revenue** | *2* | **83,206** | 152,859 |
| Cost of sales | | **(70,467)** | (134,592) |
| **Gross profit** | | **12,739** | 18,267 |
| Other income | *3* | **4,759** | 38,043 |
| Selling and distribution expenses | | **(3,045)** | (521) |
| Administrative expenses | | **(29,389)** | (18,144) |
| Other operating expenses | | **(9,336)** | (13,556) |
| Share of results of associates | | **–** | (1,110) |
| **(Loss) Profit before taxation** | | **(24,272)** | 22,979 |
| Taxation | *4* | **–** | (373) |
| **(Loss) Profit for the year** | *5* | **(24,272)** | 22,606 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **(24,272)** | 22,606 |
| **Dividend** | | **–** | – |
| | | ***HK cents*** | *HK cents* |
| **(Loss) Earnings per share** | | | |
| Basic | *6* | **(0.45)** | 0.59 |
| Diluted | *6* | **(0.45)** | 0.10 |

* *for identification purpose only*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 MARCH 2010*

| | Notes | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,078** | 641 |
| Intangible asset | | **509** | – |
| Available-for-sale investments | | **48,885** | – |
| | | **51,472** | 641 |
| **Current assets** | | | |
| Inventories | | **6,584** | 20,140 |
| Trade and other receivables, prepayments and deposits | 7 | **32,502** | 20,246 |
| Amount due from a related company | | **2,039** | 918 |
| Financial assets at fair value through profit or loss | | **12,940** | 8,890 |
| Fixed deposits – secured | | **300** | 300 |
| Fixed deposits – unsecured | | **–** | 72,913 |
| Bank balances and cash | | **9,332** | 10,911 |
| | | **63,697** | 134,318 |
| **Current liabilities** | | | |
| Trade and other payables | 8 | **47,199** | 49,751 |
| Amount due to a related company | | **2,335** | 1,476 |
| Tax payable | | **–** | 234 |
| | | **49,534** | 51,461 |
| **Net current assets** | | **14,163** | 82,857 |
| **Net assets** | | **65,635** | 83,498 |
| **Capital and Reserves** | | | |
| Share capital | | **53,912** | 53,912 |
| Reserves | | **11,723** | 29,586 |
| **Total equity** | | **65,635** | 83,498 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 MARCH 2010*

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC) – Int 18 | Transfers of Assets from Customers |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and revised HKFRSs affecting presentation and disclosure only**

***HKAS 1 (Revised 2007) Presentation of Financial Statements***

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

***HKFRS 8 Operating Segments***

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments *(see note 2)*.

***Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)***

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

**2. REVENUE AND SEGMENT INFORMATION**

Revenue represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers during the year.

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the"**CODM**") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and return approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segment as compared with the primary reportable segment determined in accordance with HKAS 14.

The reportable segment has 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 CODM of the Group.

**Business segments**

The CODM regularly review revenue and operating results derived from three operating divisions – sales and integration services, 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, 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 |

**Segment revenues and results**

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

**For the year ended 31 March 2010**

| | **Sales and integration services** *HK$'000* | **Services income** *HK$'000* | **Contract income** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | **64,604** | **18,201** | **401** | **83,206** |
| SEGMENT RESULTS | **(8,647)** | **1,732** | **2** | **(6,913)** |
| Unallocated income | | | | **4,444** |
| Unallocated expenses | | | | **(21,803)** |
| Loss before taxation | | | | **(24,272)** |
| Taxation | | | | **–** |
| Loss for the year | | | | **(24,272)** |

***Other information***

| | **Sales and integration services** *HK$'000* | **Services income** *HK$'000* | **Contract income** *HK$'000* | **Others** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Capital additions | **57** | **16** | **1** | **1,565** | **1,639** |
| Depreciation | **18** | **5** | **1** | **179** | **203** |
| Provision for bad and doubtful debts | **1,370** | **386** | **9** | **–** | **1,765** |

For the year ended 31 March 2009

| | Sales and integration services *HK$'000* | Services income *HK$'000* | Contract income *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | 131,246 | 20,666 | 947 | 152,859 |
| SEGMENT RESULTS | (4,528) | 7,583 | 505 | 3,560 |
| Unallocated income | | | | 31,733 |
| Unallocated expenses | | | | (11,204) |
| Share of results of associates | | | | (1,110) |
| Profit before taxation | | | | 22,979 |
| Taxation | | | | (373) |
| Profit for the year | | | | 22,606 |

***Other information***

| | Sales and integration services *HK$'000* | Services income *HK$'000* | Contract income *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Capital additions | 37 | 6 | – | 650 | 693 |
| Depreciation | 1 | – | – | 57 | 58 |
| Provision for bad and doubtful debts | 8,285 | 1,304 | 60 | – | 9,649 |

**Segment assets and liabilities**

The followings is an analysis of the Group's assets and liabilities by reportable segment.

**As at 31 March 2010**

| | **Sales and integration services** ***HK$'000*** | **Services income** ***HK$'000*** | **Contract income** ***HK$'000*** | **Total** ***HK$'000*** |
|---|---|---|---|---|
| Segment assets | **29,691** | **8,365** | **184** | **38,240** |
| Unallocated assets | | | | **76,929** |
| Consolidated assets | | | | **115,169** |
| Segment liabilities | **34,634** | **9,758** | **215** | **44,607** |
| Unallocated liabilities | | | | **4,927** |
| Consolidated liabilities | | | | **49,534** |

As at 31 March 2009

| | Sales and integration services *HK$'000* | Services income *HK$'000* | Contract income *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Segment assets | 19,338 | 3,045 | 140 | 22,523 |
| Unallocated assets | | | | 112,436 |
| Consolidated assets | | | | 134,959 |
| Segment liabilities | 38,770 | 6,105 | 280 | 45,155 |
| Unallocated liabilities | | | | 6,306 |
| Consolidated liabilities | | | | 51,461 |

**Geographical segments**

No geographical segment analysis 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 property, plant and equipment** | |
|---|---|---|---|---|
| | **2010** ***HK$'000*** | 2009 *HK$'000* | **2010** ***HK$'000*** | 2009 *HK$'000* |
| Hong Kong | **73,740** | 107,769 | **1,565** | 650 |
| PRC, excluding Hong Kong | **41,429** | 27,190 | **74** | 43 |
| | **115,169** | 134,959 | **1,639** | 693 |

**Information about major customers**

For the year ended 31 March 2010, revenue from three customers of the Group amounting to HK$21,481,000, HK$19,257,000 and HK$18,872,000 had individually accounted for over 10% of the Group's total revenue.

For the year ended 31 March 2009, revenue from three customers of the Group amounting to HK$34,054,000, HK$22,654,000 and HK$22,486,000 had individually accounted for over 10% of the Group's total revenue.

## 3. OTHER INCOME

Other income comprises:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **64** | 738 |
| Dividend income from financial assets at fair value through profit or loss | **70** | 20 |
| Dividend income from available-for-sale investments | **39** | – |
| Gain on disposal of an associate | **–** | 6,042 |
| Gain on debt restructuring | **–** | 28,363 |
| Realised gain on financial assets at fair value through profit or loss | **234** | – |
| Unrealised gain on financial assets at fair value through profit or loss | **4,050** | 2,649 |
| Sundry income | **302** | 231 |
| | **4,759** | 38,043 |

## 4. TAXATION

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Taxation in the PRC: | | |
| – current year | **–** | 373 |

No Hong Kong Profits Tax has been provided in the consolidated financial statements as there was no assessable profit for the year (2009: Nil).

The provision for the PRC income tax was calculated at 25% of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC.

The charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) profit before taxation | **(24,272)** | 22,979 |
| Tax at the applicable income tax rate of 16.5% (2009: 16.5%) | **(4,005)** | 3,792 |
| Tax effect of expenses not deductible for tax purpose | **3,784** | 5,905 |
| Tax effect of income not taxable for tax purpose | **(735)** | (9,735) |
| Tax effect of temporary difference | **(15)** | (80) |
| Tax effect of tax losses not recognised | **971** | 118 |
| Effect of PRC taxation | **–** | 373 |
| Taxation charge | **–** | 373 |

**5. (LOSS) PROFIT FOR THE YEAR**

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) Profit for the year has been arrived at after charging: | | |
| Auditor's remuneration | **500** | 500 |
| Amortization of intangible asset | **41** | – |
| Depreciation of property, plant and equipment | **203** | 58 |
| Staff costs (including directors' emoluments) | | |
| – salaries and allowance | **11,699** | 7,957 |
| – staff quarter | **186** | 18 |
| – provident fund contributions | **118** | 37 |
| Provision for bad and doubtful debts | **1,765** | 9,649 |

## 6. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share for year ended 31 March 2010 is based on the loss attributable to shareholders of HK$24,272,000 (profit attributable to shareholders for year ended 31 March 2009 of HK$22,606,000) and on weighted average number of ordinary shares in issue during the year of 5,391,162,483 (2009: 3,839,249,915) 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.

The calculation of diluted loss per share for the year ended 31 March 2010 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.

Diluted earnings per share for year ended 31 March 2009 was calculated based on the profit attributable to shareholders of HK$22,606,000 and on the adjusted weighted average number of 22,811,927,510 shares which was the weighted average number of shares in issue during the year used in the computation of basic earnings per share plus the weighted average number of 18,972,677,595 shares deemed to be issued at no consideration if all outstanding options and convertible preference shares had been exercised.

## 7. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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.

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **48,753** | 36,645 |
| *Less:* Provision for bad and doubtful debts | **(28,758)** | (26,993) |
| | **19,995** | 9,652 |
| Other debtors, prepayments and deposits | **12,507** | 10,594 |
| Total trade and other receivables, prepayments and deposits | **32,502** | 20,246 |

The following is an aging analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **3,914** | 1,075 |
| 31 – 90 days | **5,749** | 1,548 |
| Over 90 days | **10,332** | 7,029 |
| Total | **19,995** | 9,652 |

Movement in provision for bad and doubtful debts of trade receivables:

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 April | **26,993** | 17,344 |
| Provision for bad and doubtful debts | **1,765** | 9,649 |
| At 31 March | **28,758** | 26,993 |

## 8. 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:

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables: | | |
| 0 – 90 days | **1,504** | 1,438 |
| 91 –180 days | **8,815** | 3,926 |
| Over 180 days | **20,286** | 19,545 |
| | **30,605** | 24,909 |
| Other payables | **16,594** | 24,842 |
| Total trade and other payables | **47,199** | 49,751 |

# FINANCIAL REVIEW

## Financial Performance

For the year ended 31 March 2010, the Group recorded a turnover of HK$83,206,000, representing a significant decrease of 45.6% when compared to 2009. The decrease in turnover is attributable to a drop in the value of sales contracted for during the year. In line with the decrease in turnover, gross profit decreased to HK$12,739,000 representing a decrease of 30.3% compared to 2009. However, the gross profit margin increased significantly from 12% recorded in 2009 to 15.3% this year. The increase in the gross profit margin was mainly attributable to the decrease in turnover of the less profitable sales and integration services. Operating expenses remained stable when compared to 2009.

Listed investments contributed a gain of HK$4,284,000 to the results of the Group during the year, of which mark-to-market adjustment recorded a gain of HK$4,050,000 from a gain of HK$2,649,000 recorded in 2009, while gains on disposal of listed investments contributed HK$234,000 to the results. Other operating revenue decreased significantly which is mainly attributable to the one-off gain on debt restricting of HK$28,363,000 and gain on disposal of an associate of HK$6,042,000 recorded in 2009.

The Group recorded a loss attributable to shareholders of the Company of HK$24,272,000 this year, a significant decrease from the gain of HK$22,606,000 recorded in 2009.

## Financial Resources and Position

As at 31 March 2010, the Group did not have any external borrowings. Cash and cash equivalents amounted to HK$9,632,000 as at 31 March 2010 which are mostly denominated in Hong Kong Dollars and Renminbi. As the Group's businesses are conducted in the PRC, therefore the Group does not expect to be exposed to any material foreign exchange risks.

The Group had no assets pledged or any material contingent liabilities as at 31 March 2010. The Group ended the year with a current ratio of 1.3 times.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2010.

## BUSINESS REVIEW

The Group is principally engaged in (i) network and system integration by the production of software and provision of solutions and related services; (ii) trading of communication products; (iii) provision of financial services; (iv) investment holdings; and (v) provision of telecommunications infrastructure solution services. 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. The management continued to devote its effort to enhance the operational efficiency of Beijing HollyBridge, and during the year ended 31 March 2010, service contracts entered into with various customers such as banks, governmental agencies and public transportation companies amounted to approximately RMB60 million.

Looking forward, the Management will devote its effort to enhance operational efficiency, reduce overheads and to turn the Group back to a profitable position. In addition, the Group is monitoring closely the latest trends and the development of the global economy and to take advantage of all business opportunities.

## OTHER INFORMATION

### Employees

As at 31 March 2010, the Group had a total of 87 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.

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 year ended 31 March 2010.

## Corporate Governance

During the year ended 31 March 2010, 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 for the following deviations from the Code:

1. Code 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 was no separation of the role of chairman and chief executive officer of the Company during the period from 1 April 2009 to 15 July 2009. The Board was of the view that vesting the roles of chairman and chief executive officer in Mr. Lam Ching Kui provided the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies, especially during the period of implementation of the reorganization plan. The Board considered that this structure did 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 being independent. On 15 July 2009, Mr. Guo Qing Hua, the executive director of the Company, has been appointed as the chief executive officer of the Company in compliance with the requirement of the Code.

2. 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.

3. Code 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 2009 annual general meeting as he has had a separate business meeting which must be attended by him on the date that the annual general meeting was held.

**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 year ended 31 March 2010.

**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.

A meeting of the Audit Committee was held to review the Group's audited consolidated financial statements for the year ended 31 March 2010, in conjunction with the Group's external auditor, Messrs. Morison Heng, Certified Public Accountants.

**Annual General Meeting**

For details of the annual general meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or around 9 July 2010.

## 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 year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
**LAM Ching Kui**
*Chairman*

Hong Kong, 28 June 2010

As at the date of this announcement, the Board comprises:

***Executive Directors:***
LAM Ching Kui *(Chairman)*
GUO Qing Hua *(Chief Executive Officer)*

***Independent Non-executive Directors:***
KO Ming Tung, Edward
SHAW Lut, Leonardo
TO Yan Ming, Edmond