

TAI SHING

Tai Shing International (Holdings) Limited
泰盛國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

INTERIM REPORT 2010

* *For identification purpose only*

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This report, for which the directors (“Directors”) of Tai Shing International (Holdings) Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purpose of given information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Turnover for the six months ended 30 September 2010 amounted to approximately HK\$18 million representing an increase of approximately 10% over the corresponding period in 2009.
- Loss attributable to the shareholders for the six months ended 30 September 2010 amounted to approximately HK\$25.7 million representing an increase of approximately 610% over the corresponding period in 2009 (2009: HK\$3.6 million).
- Loss per share for the six months ended 30 September 2010 was approximately 1.9 HK cents (2009: 0.3 HK cents)
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2010.

The board of directors (“Board”) of Tai Shing International (Holdings) Limited (“Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 September 2010, together with the unaudited comparative figures for the corresponding periods in 2009, as follows:—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the three months and six months ended 30 September 2010

	Notes	Three months ended 30 September		Six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	2	11,858	10,480	17,897	16,303
Cost of services and merchandise sold		(9,607)	(12,610)	(14,585)	(14,737)
Gross profit/(loss)		2,251	(2,310)	3,312	1,566
Other revenue	4	2,884	1,752	4,445	2,039
Selling expenses		(1,589)	(1,273)	(2,841)	(2,310)
General and administrative expenses		(8,966)	(2,007)	(21,114)	(4,472)
Other operating expenses	5	(8,640)	—	(8,784)	—
Loss from operation	6	(14,060)	(3,658)	(24,982)	(3,177)
Finance costs	7	(278)	(169)	(492)	(337)
Loss before tax		(14,338)	(3,827)	(25,474)	(3,514)
Income tax	8	(1)	—	(58)	—
Loss for the period		(14,339)	(3,827)	(25,532)	(3,514)
Exchange difference arising on translation and total other comprehensive income for the period		1,091	(39)	(175)	(109)
Total comprehensive income for the period		(13,248)	(3,866)	(25,707)	(3,623)
Attributable to: Equity holder of the Company		(13,248)	(3,866)	(25,707)	(3,623)
Loss per share- basic (HK cents)	9	(0.9)	(3.5)	(1.9)	(0.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2010

		Unaudited	Audited
		30 September	31 March
		2010	2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Fixed assets		6,562	1,887
Deposit paid for acquisition of plant and equipment		—	300
Available-for-sale financial assets		27,239	—
		33,801	2,187
Current assets			
Trade and other receivables	<i>10</i>	77,460	51,955
Deposit for acquisition of a subsidiary	<i>11</i>	25,000	25,000
Amounts due from customers for contract work		23,155	24,014
Financial assets at fair value through profit or loss	<i>12</i>	11,083	529
Pledged bank deposits		1,395	1,106
Bank balances and cash		13,641	25,857
		151,734	128,461
Current liabilities			
Amounts due to customers for contract work		9,937	8,044
Trade and other payables	<i>13</i>	40,588	36,207
Receipts in advance		8,024	7,308
Warranty provision		575	947
Amount due to a substantial shareholder		9,028	9,152
Amount due to director		55	—
Income tax payable		1,905	1,866
Finance Leasing		4,784	—
Bank borrowings		11,650	11,449
		86,546	74,973
Net current assets		65,188	53,488
Net Assets		98,989	55,675
Capital and Reserves			
Share capital	<i>14</i>	7,859	6,529
Reserves	<i>15</i>	91,130	49,146
		98,989	55,675

**CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY
(UNAUDITED)**

for the six months ended 30 September 2010

	Attributable to equity holders of the company						Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	General Reserve HK\$'000	Capital Reserve HK\$'000	Foreign currency translation Reserve HK\$'000	Accumulated Profits/ (Losses) HK\$'000	
At 1 April 2010	6,529	45,970	2,439	1,200	4,131	(4,594)	55,675
Total comprehensive income for the period, net of tax	—	—	—	—	(175)	(25,532)	(25,707)
Issue of shares upon							
— placement of shares	1,330	68,160	—	—	—	—	69,490
— transaction cost attributable to placement of shares	—	(469)	—	—	—	—	(469)
At 30 September 2010	<u>7,859</u>	<u>113,661</u>	<u>2,439</u>	<u>1,200</u>	<u>3,956</u>	<u>(30,126)</u>	<u>98,989</u>
At 1 April 2009	5,460	22,905	2,079	1,200	4,217	(7,878)	27,983
Total comprehensive income for the period, net of tax	—	—	—	—	(109)	(3,514)	(3,623)
At 30 September 2009	<u>5,460</u>	<u>22,905</u>	<u>2,079</u>	<u>1,200</u>	<u>4,108</u>	<u>(11,392)</u>	<u>24,360</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

for the six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(35,087)	3,471
Net cash inflow/(outflow) from investing activities	(45,482)	452
Net cash inflow/(outflow) from financing activities	68,528	(337)
Net increase/(decrease) in cash and cash equivalents	(12,041)	3,586
Effects of foreign exchange rate	(175)	1,144
Cash and cash equivalents at 1 April	25,857	3,745
Cash and cash equivalents at 30 September	<u>13,641</u>	<u>8,475</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>13,641</u>	<u>8,475</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. Basis of presentation

The unaudited condensed consolidated financial results of the Group (the “financial results”) have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of the financial results are consistent with those used in the audited annual accounts for the year ended 31 March 2010. These financial statements have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

2. Turnover

Turnover represents income arising from the provision of systems development and integration, the sales of software and hardware products and provision of professional services.

An analysis of the turnover by principal activities of the operations of the Group during the reporting periods is as follows:

	UNAUDITED			
	Three months ended		Six months ended	
	30 September	2009	30 September	2009
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	11,504	8,735	17,488	13,884
Professional services fees	354	1,745	409	2,419
	<u>11,858</u>	<u>10,480</u>	<u>17,897</u>	<u>16,303</u>

3. Segment reporting

(a) Business segments

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

An analysis of the Group's turnover and results for the six months period by business segment is as follows:

	System development		Professional services		Consolidated	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from						
external customers	<u>17,488</u>	<u>13,884</u>	<u>409</u>	<u>2,419</u>	<u>17,897</u>	<u>16,303</u>
Segment results	<u>3,143</u>	<u>472</u>	<u>169</u>	<u>1,094</u>	<u>3,312</u>	<u>1,566</u>
Interest income					9	17
Unallocated operating income and expenses					<u>(27,961)</u>	<u>(4,760)</u>
Loss before tax					<u>(24,640)</u>	<u>(3,177)</u>
Finance costs					<u>(834)</u>	<u>(337)</u>
Income tax expenses					<u>(58)</u>	<u>—</u>
Loss for the period					<u><u>(25,532)</u></u>	<u><u>(3,514)</u></u>
Assets						
Segment assets	<u>59,466</u>	<u>100,438</u>	<u>105</u>	<u>2,122</u>	<u>59,571</u>	<u>102,560</u>
Unallocated assets					<u>125,964</u>	<u>32,688</u>
Total assets					<u><u>185,535</u></u>	<u><u>135,248</u></u>
Liabilities						
Segment liabilities	<u>51,647</u>	<u>50,701</u>	<u>3,089</u>	<u>4,412</u>	<u>54,736</u>	<u>55,113</u>
Unallocated liabilities					<u>31,810</u>	<u>55,775</u>
Total liabilities					<u><u>86,546</u></u>	<u><u>110,888</u></u>
Other information						
Depreciation & Amortisation for the period						
— Segment	<u>291</u>	<u>651</u>	<u>—</u>	<u>—</u>	<u>291</u>	<u>651</u>
— Unallocated					<u>706</u>	<u>—</u>
					<u><u>997</u></u>	<u><u>651</u></u>

(b) Geographical segments

For the period ended 30 September 2010 and 2009, over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

4. Other revenue

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reversal of impairment loss in respect of trade receivables	1,243	1,131	2,034	1,131
Reversal of impairment loss in respect of other receivables	231	248	342	282
Fair value gain/(loss) on financial assets at fair value through profit or loss	5	71	5	123
Interest income	1	10	9	17
Sundry income	1,404	292	2,055	486
	<u>2,884</u>	<u>1,752</u>	<u>4,445</u>	<u>2,039</u>

5. Other operating expenses

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss	8,640	—	8,784	—

6. Loss before tax

Loss before tax is stated after charging/(crediting):

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	160	125	320	250
Depreciation	560	327	997	651
Operating leases	670	440	1,232	887
Staff costs	4,869	5,017	8,493	8,391
Net exchange loss	—	—	1,921	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. Finance costs

	UNAUDITED			
	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowing due within one year	199	169	371	337
Finance lease interest	79	—	121	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>278</u>	<u>169</u>	<u>492</u>	<u>337</u>

8. Income tax

No Hong Kong profits tax has been provided in the financial statements as the group has no assessable profits arising in Hong Kong during the three months and six months ended 30 September 2010 and 2009.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang Electronic Science & Technology Co., Ltd ("Beijing Tongfang") is subject to a preferential Enterprise Income Tax rate of 10% which is effective from 1 January 2007 to 31 December 2009, as it is qualified as an advanced technology enterprise.

9. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September 2010 were based on the loss attributable to the shareholders of approximately of HK\$13,248,000 and HK\$25,707,000 (2009: losses of HK\$3,866,000 and HK\$3,623,000) divided by the weighted average number of 1,395,749,000 shares for the three months and six months ended (2009: 1,091,900,000 shares) in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months and six months ended 30 September 2010 and 2009.

10. Trade and other receivables

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Trade and bills receivables	41,331	65,608
Less: Impairment loss recognised in respect of trade receivables	<u>(21,761)</u>	<u>(23,288)</u>
	<u>19,570</u>	<u>42,320</u>
Retention receivables	4,872	4,866
Less: Impairment loss recognised in respect of retention receivables	<u>(1,489)</u>	<u>(1,464)</u>
	<u>3,383</u>	<u>3,402</u>
Prepayments, deposits and other receivables	71,491	23,237
Less: Impairment loss recognised in respect of other receivables	<u>(16,984)</u>	<u>(17,004)</u>
	<u>54,507</u>	<u>6,233</u>
	<u>77,460</u>	<u>51,955</u>

- (a) Trade receivables are due for settlement in accordance with the terms of the underlying agreements with the customers. Trade receivables with balances that are more than 9 months overdue are requested to settle all outstanding balances before any further credit is granted.
- (b) An aged analysis of trade and bills receivables based on the date of invoice, net of impairment loss recognised is as follows:

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Within 1 month	11,110	10,513
More than 1 month but within 3 months	4,772	2,791
More than 3 months	<u>3,688</u>	<u>29,016</u>
	<u>19,570</u>	<u>42,320</u>

11. Deposit for acquisition of a subsidiary

Balance at 30 September 2010 represents a refundable deposit of HK\$25,000,000 (2009: Nil) paid to Expertone Holdings Limited (“Expertone”), an independent third party in connection with the proposed acquisition of Fullmark Management Limited (“Fullmark”). The Company entered into a conditional sales and purchase agreement on 14 June 2010, details of the proposed acquisition are set out in the announcement of the Company dated 30 September 2010.

12. Financial assets at fair value through profit or loss

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Equity securities listed in Hong Kong, at fair value	10,606	—
Equity securities listed in the PRC, at fair value	<u>477</u>	<u>529</u>
	<u>11,083</u>	<u>529</u>

The above financial assets are classified as held for trading. The fair values of these financial assets are based on quoted market price.

13. Trade and other payables

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Trade payable	18,027	16,327
Other payable and accruals	<u>22,561</u>	<u>19,880</u>
	<u>40,588</u>	<u>36,207</u>

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Within 1 month	6,067	547
More than 1 month but within 3 months	1,913	1,105
More than 3 months	<u>10,047</u>	<u>14,675</u>
	<u>18,027</u>	<u>16,327</u>

14. Share capital

	Unaudited		Audited	
	AS at 30 September 2010		AS at 31 March 2010	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.05 each	—	—	4,000,000,000	200,000
Ordinary shares of HK\$0.005 each	4,000,000,000	200,000	—	—
Issued and fully paid:	1,571,700,000	7,859	130,570,000	6,529

Notes:

- (a) On 23 February 2010, the Company announced that it had entered into an agreement for the subscription of 16,380,000 shares of HK\$0.05 each pursuant to the top-up subscription agreement dated 23 February 2010 and entered into by the Company and Wide Source Group Ltd (“First Top-up Subscription”), details of which are set out in the Company’s announcement dated 23 February 2010. Pursuant to such agreement, the Company has allotted and issued a total of 16,380,000 shares of HK\$0.05 each. The net proceeds received by the Company from the First Top-up Subscription amounted to approximately HK\$16.15 million which was intended to be used as general working capital for the Company’s business expansion.
- (b) On 1 March 2010, the Company announced that it had entered into an agreement for the subscription of 5,000,000 shares of HK\$0.05 each pursuant to the top-up subscription agreement dated 1 March 2010 and entered into by the Company and Wide Source (“Second Top-up Subscription”), details of which are set out in the Company’s announcement dated 1 March 2010. Pursuant to such agreement, the Company has allotted and issued a total of 5,000,000 shares of HK\$0.05 each. The net proceeds received by the Company from the Second Top-up Subscription amounted to approximately HK\$7.75 million which was intended to be used as general working capital for the Company’s business expansion.
- (c) The net proceeds raised in the First Top-up Subscription and the Second Top-up Subscription have already been utilized for the payment for the deposit pursuant to the Addendum (as defined in the Company’s announcement dated 4 March 2010).

- (d) On 16 April 2010, each share of HK\$0.05 of the Company has been subdivided into 10 shares of HK\$0.005 each after obtaining the approval from the shareholders of the Company on 15 April 2010. Save and except such subdivision, the ordinary shares issued above ranked pari passu with the then existing ordinary shares of the Company in all respects.
- (e) On 23 April 2010, the Company announced the placing of 130,000,000 shares of HK\$0.005 each beneficially owned by Wide Source Group Ltd. at the price of HK\$0.265 per share pursuant to a placing agreement between Wide Source Group Ltd., the Company and VC Brokerage Limited (“Third Placing”) and the subscription for 130,000,000 shares of HK\$0.005 each pursuant to a subscription agreement between the Company and Wide Source Group Ltd. dated 23 April 2010, (“Third Subscription”), details of which are disclosed in the announcement of the Company dated 23 April 2010. Pursuant to the Third Subscription, the Company has allotted and issued a total of 130,000,000 shares of HK\$0.005 each. The net proceeds from the Third Subscription amounted to approximately HK\$33.27 million which was intended to be used to finance future investments and/or for future business development. Out of such net proceeds, HK\$27 million of them has been utilized for acquiring the entire issued share capital of High Pacific Limited. As at 30 September 2010, the remaining net proceeds have not been utilized.
- (f) On 28 April 2010, the Company announced that it had entered into the placing agreement between the Company and VC Brokerage Limited dated 28 April 2010 (as varied and supplemented by a supplemental agreement dated 5 May 2010) in relation to the placing (“GM Placing”) of 30,000,000 new shares of HK\$0.005 each by VC Brokerage Limited, details of which are set out in the announcements of the Company dated 28 April 2010 and 5 May 2010 (“GM Placing Agreement”). On 5 May 2010, the Company further announced a supplemental agreement had been entered in which the total number of shares to be issued under the GM Placing Agreement had been reduced from 130,000,000 shares to 30,000,000 shares. Pursuant to the GM Placing Agreement, the Company has allotted and issued a total of 30,000,000 shares. The net proceeds received by the Company from the GM Placing amounted to approximately HK\$7.63 million which is intended to be used to finance future investments and/or for future business development. As at 30 September 2010, such net proceeds have not been utilized.
- (g) On 5 May 2010, the Company announced that it had entered into the subscription agreement dated 5 May 2010 and entered into between the Company, Galaxy China Special Situations Fund SPC and VC Brokerage Limited in relation to the subscription 40,000,000 shares of HK\$0.005 each by Galaxy China Special Situations Fund SPC and the subscription agreement dated 5 May 2010 and entered into between the Company, Galaxy China Deep Value Fund and VC Brokerage Limited in relation to the subscription of 60,000,000 shares of HK\$0.005 each by Galaxy China Deep Value Fund. Pursuant to the two subscription agreements, the Company has allotted and issued a total of 100,000,000 shares. The net proceeds received by the Company from the subscriptions amounted to approximately HK\$25 million which is intended to be used to finance future investments and/or for future business development. As at 30 September 2010, such net proceeds have not been utilized.

15. Reserves

Movements in reserves for the Group during the period are set out in the unaudited condensed consolidated statement of changes in equity of the financial statement.

16. Commitments under operating leases

At 30th September 2010 the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited At 30 September 2010 HK\$'000	Audited At 31 March 2010 HK\$'000
Within 1 year	2,041	308
After 1 year but within 5 years	560	—
	<u>2,601</u>	<u>308</u>

17. Capital commitment

At 30 September 2010, a refundable deposit of HK\$25,000,000 (2009: Nil) paid to Expertone, an independent third party in connection with the proposed acquisition of Fullmark. The Company entered into a conditional sales and purchase agreement on 14 June 2010, details of the proposed acquisition are set out in the announcement of the Company dated 30 September 2010. The Consideration for the Acquisition of HK\$180 million shall be satisfied as to HK\$70 million in cash and as to the balance of HK\$110 million by the allotment and issue, credited as fully paid, of the Consideration Shares.

At the end of the reporting period, the Company had commitments for settlement remaining balance of the Consideration in HK\$155,000,000 (2009: Nil).

18. Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2010 (2009: Nil).

19. Contingent liabilities

- (a) At 30 September 2010, the Group's bank deposits of approximately HK\$1,395,000 (2009: HK\$396,000) were pledged to one bank for bank guarantees of approximately HK\$1,395,000 (2009: HK\$396,000) issued to certain customers on the performance of contracts under systems development.

The directors of the Company consider that it is not probable that a claim will be made against the Group under any of the above bank guarantees.

- (b) On 19 April 2006, a High Court Action No.858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen ("Plaintiffs") against the Company for specific performance of the agreement entered between the Plaintiffs and the Company's former Director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK\$6,800,000 being twice of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The Directors believe that the Company has strong defence in this action and therefore, no provision for liabilities was made.

20. Events after the reporting period

On 13 October 2010, the Company was completed the Placing in accordance with the terms and conditions of the Placing Agreement. An aggregate of 76,520,000 Placing Shares have been placed to not less than six Places at the Placing Price of HK\$0.271 per Placing Share.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Turnover for the six months ended 30 September 2010 amounted to approximately HK\$18 million representing an increase of approximately 10% over the corresponding period in 2009.

For the six months ended 30 September 2010, the Group encountered a loss because mainly of the significant increment of general and administrative expenses and other operating expenses. However, with the acquisition of 鑫約福(上海)貿易有限公司 (unofficial translation being Fullmark (Shanghai) Trading Company Limited) ("Fullmark SH") on 29 October 2010 as disclosed in the circular of the Company dated 30 September 2010 ("Circular"), the Group will be entitled to receive 75% of the revenue from the licensing of the InsureLink System (as defined in the Circular) for a period of 10 years under the Cooperation Agreement (as defined in the Circular), and Dongda Brokerage (as defined in the Circular) guaranteed that the revenue received by Fullmark SH under the Cooperation Agreement shall be not less than RMB20,000,000 per annum.

Financial Performance

During the six months ended 30 September 2010, the Group recorded a turnover of HK\$18 million (2009: HK\$16 million) representing an increase of approximately 10% as compared to that of the corresponding period in 2010.

Revenue for the three months ended 30 September 2010 of approximately HK\$12 million is about 13% higher than that for the three months ended 30 June 2010. Loss attributable to the shareholders was approximately HK\$25.7 million (2009: loss HK\$3.6 million).

Liquidity and Financial Resources

As at 30 September 2010, shareholders' funds of the Group amounted to approximately HK\$99 million (2009: HK\$24 million). Current assets amounted to approximately HK\$152 million (2009: HK\$133 million), of which approximately HK\$14 million (2009: HK\$8 million) were cash and cash equivalents. Current liabilities of HK\$87 million (2009: HK\$111 million) were mainly other payables and accruals.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 30 September 2010 was 87 % (2009: 452%).

Foreign Currency Exposure

During the six months ended 30 September 2010, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Capital Structure

There has been no change in the capital structure of the company since 1 April 2010.

New Products and Services

The Group did not launch any new products or services during the period under review.

Material Acquisitions and Significant Investments

During the period under review, the Company has been involved in the following material acquisitions:

- (i) the acquisition of the entire issued capital of High Pacific Limited, a company incorporated in the British Virgin Islands, pursuant to the agreement dated 1 July 2010 entered into between Trend Brilliant Limited, a wholly-owned subsidiary of the Company, and Mr. Poon Chi Keung Sammy, details of which are disclosed in the announcement of the Company dated 2 July 2010; and
- (ii) the acquisition of the entire issued capital of Fullmark Management Limited, a company incorporated in the British Virgin Islands, pursuant to the sale and purchase agreement dated 14 June 2010 (as amended by the supplemental agreement dated 28 September 2010) entered into between Trend Brilliant Limited, a wholly-owned subsidiary of the Company, and Expertone Holdings Limited, a company incorporated in the British Virgin Islands, details of which are disclosed in the circular of the Company dated 30 September 2010.

Employees and Remuneration Policies

As at 30 September 2010, the Group had hired 11 and 170 employees in Hong Kong and PRC respectively (2009: a total of 196 including the executive Directors. Total staff costs including Directors' remuneration for the six months period under review amounting to approximately HK\$8.5 million (2009: HK\$8.4 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Company has conditionally adopted a share option scheme pursuant to which the executive Directors and full-time employees of the Group may be granted options to subscribe for the shares of the Company. During the six months ended 30 September 2010, options had been granted to four individual places, details of which are disclosed in the section headed "**SHARE OPTION SCHEMES**" below.

Charges on Group Assets and Contingent Liabilities

Details of changes on the Group's assets and contingent liabilities are set out in note 19 of the unaudited condensed consolidated results.

Future Plans to Material Investments or Capital Assets

As at 30 September 2010, the Group had no plans for material investments or capital assets.

Future Prospects

It has been the Company's long term goal to maximize Shareholder's value. In view of the intense market competition for the Group's existing business particularly for the security and surveillance division, the Company has been exploring business opportunities to expand the Group's operations and enhance its earnings. In this regard, the Company considers that there are good business prospects for the system provision, integration and software development market within the insurance and insurance brokering business sectors in the PRC as a result of the increased demand for update and efficient back and front office support systems and software to cater for the expansion in insurance products and services. Accordingly, the Directors consider that the Acquisition of Fullmark Group will not only provide an opportunity for the Group to expand its scope of IT consultancy services by participating in the insurance market in the PRC, which is expected to have a rising demand, through the Fullmark Group's interest in Dongda Agency, but also enable the Group to leverage on its existing expertise and experience in the IT consultancy sector, coupled with the intellectual property rights in respect of the InsureLink System owned by Fullmark SH, by cooperating with Dongda Brokerage pursuant to the Cooperation Agreement.

It is the intention of the Company to continue the Group's existing business in the security and surveillance system and, leverage on its existing expertise and experience in the IT consultancy sector, expand its existing business into the insurance market in the PRC through the Fullmark Group's interest in Dongda Agency and cooperation with Dongda Brokerage pursuant to the Cooperation Agreement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2010, save as mentioned below, none of the Directors and chief executive has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in the shares of the Company

Name of Director	Capacity	Long or short position	Number of Shares interested	Approximate percentage of issued share Capital
Mr. Wong Chung Wai, Eric (<i>Note 1</i>)	Beneficial owner	Long position	10,000,000	0.64%
Mr. Chan Yun Sang (<i>Note 2</i>)	Beneficial owner	Long position	10,000,000	0.64%

Note:

- As at 30 September 2010, Mr. Wong Chung Wai Eric was the beneficial owner of 2,000,000 issued shares and had an interest in an option to subscribe for up to 8,000,000 shares at the exercise price of HK\$0.28 per share during the period from 5 July 2010 to 4 July 2015.
- As at 30 September 2010, Mr. Chan Yun Sang was the beneficial owner of 2,000,000 issued shares and had an interest in an option to subscribe for up to 8,000,000 shares at the exercise price of HK\$0.28 per share during the period from 5 July 2010 to 4 July 2015.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at the 30 September 2010, the person 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 provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Long positions in shares of the Company

Name of Shareholders	Capacity	Number of shares held (Note 8)	Approximate Percentage of shareholding
Galaxy Asset Management (H.K.) Ltd. (Note 1)	Investment manager	246,300,000 (L)	15.67%
Wide Source Group Ltd. (Note 2)	Beneficial owner	215,424,760 (L)	13.71%
Mr. Luk Yat Hung (Note 2)	Interest of controlled corporation	215,424,760 (L)	13.71%
Resuccess Investments Ltd. (Note 3)	Beneficial owner	158,900,000(L)	10.11%
Tsinghua Holdings Co. Ltd. (Note 4)	Interest in controlled corporation	158,900,000(L)	10.11%
Tsinghua Tongfang Co. Ltd. (Note 5)	Interest in controlled corporation	158,900,000(L)	10.11%
Deutsche Bank Aktiengesellschaft (Note 6)	Person having a security interest	275,500,000 (L) 137,750,000 (S)	8.76%
UBS AG (Note 7)	Person having a security interest	110,000,000 (L)	7.00%

Notes:

- Galaxy China Special Situations Fund SPC ("Galaxy Fund I") and Galaxy China Deep Value Fund ("Galaxy Fund II") (which are managed by the same fund manager, Galaxy Asset Management (H.K.) Ltd.) in aggregate, were interested in 246,300,000 shares, comprising 110,000,000 shares held by Galaxy Fund I and 136,300,000 Shares held by Galaxy Fund II.
- Wide Source Group Ltd. is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 100% by Mr. Luk Yat Hung, a former executive Director, who is deemed to be interested in 215,424,760 shares in which Wide Source Group Ltd. is interested.

3. Resuccess Investments Ltd. is a company incorporated in the British Virgin Islands with limited liability and is owned by Tongfang Co. Ltd.
4. Tongfang Co. Ltd. is deemed to be interested in 158,900,000 Shares by virtue of it being beneficially interested in 100% of the issued share capital of Resuccess Investments Ltd.
5. Tsinghua Holdings Co. Ltd. is deemed to be interested in 158,900,000 Shares by virtue of it being beneficially interested in 33.06% of the issued share capital of Tongfang Co. Ltd.
6. Deutsche Bank Aktiengesellschaft is interested in 275,500,000 shares in long position and 137,750,000 shares in short position in its capacity as person having a security interest in shares (other than an exempt security interest).
7. UBS AG is interested in 110,000,000 Shares in its capacity as person having a security interest in shares (other than an exempt security interest).
8. “S” denotes short position and “L” denotes long position.

DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the six months ended 30 September 2010 or at any time during such period.

DIRECTORS’ COMPETING INTERESTS

As of 30 September 2010, none of the Directors, substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 22 October 2003, the Company conditionally adopted and approved a share option scheme (“New Scheme”) to replace the share option scheme adopted on 26 August 2000 (“Old Scheme”). The principal terms of the New Scheme were set out in the Appendix I to the circular of the Company dated 30 September 2003.

(a) Purpose of the New Scheme

The purpose of the New Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution and prospective contribution to and stronger business relationship between the selected participants and the Group.

(b) Participants of the New Scheme

Under the New Scheme, the Board shall have the absolute discretion to determine who is a participant in order that such person can participate in the scheme (“Participant”). In exercising such discretion, the Board shall take into account the following factors:

- (i) whether such person is an eligible employee, being any executive, employee (whether full time or part time), or director in the employ of any member of the Group or any entity in which any member of the Group holds an equity interest (“Invested Entity”), an adviser of, a consultant of, or a contractor to any member of the Group or any Invested Entity, or whether such person has any relationship (whether business or otherwise) with the Group or any Invested Entity and the duration of such relationship;
- (ii) any contributions which have been made by such person to the Group or any Invested Entity in the past and the extent of any such contributions;
- (iii) any potential contributions to the Group or any Invested Entity which are considered by the Board such persons would make and the extent of such potential contributions;
- (iv) the existing terms of legal and business relationship between such persons and the Group or any Invested Entity; and
- (v) the views of the independent non-executive Directors of the Company in considering who is a Participant.

(c) Basis for determining the subscription price

The subscription price shall be a price determined by the Board at its absolute discretion and notified to a Participant provided that it shall be no less than the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the relevant acceptance date, which must be a business day;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the relevant acceptance date; and
- (iii) the nominal value of the share of the Company.

An offer of option shall lapse if not accepted on or before the twenty-eighth day from the date such offer is made to a Participant. A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option.

(d) Total number of securities available for issue under the New Scheme

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the adoption date ("General Scheme Limit") unless further shareholders' approval is obtained in general meeting, provided that options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the General Scheme Limit.

Notwithstanding the foregoing the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme shall not exceed 30% of the shares of the Company in issue from time to time.

As at 30 September 2010, no shares of the Company are available for issue under the New Scheme.

(e) Maximum entitlement of each Participant

For each Participant, the total number of shares issued and to be issued upon exercise of all options granted and further to be granted in any 12-month period (including both exercised and outstanding options) and in the 12-month period up to and including the acceptance date (including exercised, cancelled and outstanding options) shall not in isolation or aggregate exceed 1% of the shares, and any grant of option which would result in such limit being exceeded shall be approved by the Company in general meeting with such Participant and any associate thereof abstaining from voting.

(f) Time of exercise of Option

An option may be exercised in whole or in part in accordance with the terms of the New Scheme at any time during the period commencing on the first business day from the date of grant of option and expiring at the close of business on a date to be determined and notified by the Directors which shall not be more than 10 years from the date of grant of option.

Unless the Directors otherwise determined and stated at the time of granting the option, there is no minimum period for which an option must be held before it can be exercised.

(g) Remaining life of the New Scheme

The Directors shall be entitled at any time within 10 years commencing on 22 October 2003 to offer the grant of an option to any qualifying participants.

Options have been granted by the Company under the New Scheme during the six months ended 30 September 2010 to four individual grantees (including two executive Directors, namely Wong Chung Wai Eric and Chan Yun Sang), the details of which are as follows:

	Outstanding at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2010	Closing price per share immediately before the date of the grant (HK\$)
Executive Directors:						
Wong Chung Wai Eric	Nil	10,000,000	2,000,000	Nil	8,000,000	0.28
Chan Yun Sang	Nil	10,000,000	2,000,000	Nil	8,000,000	0.28
Other employees	Nil	10,000,000	2,000,000	Nil	8,000,000	0.28
	<u>Nil</u>	<u>11,450,000</u>	<u>Nil</u>	<u>Nil</u>	<u>11,450,000</u>	<u>0.27</u>
	<u>Nil</u>	<u>41,450,000</u>	<u>6,000,000</u>	<u>Nil</u>	<u>35,450,000</u>	

Save as disclosed herein, as at 30 September 2010, none of the Directors, chief executive, substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 18 May 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

The audit committee comprises three independent non-executive Directors, namely, Mr. Tang Sze Lok, Professor Ip Ho Shing Horace, Mr. Yan Yonghong, and Mr. Tang Sze Lok is the chairman of the audit committee.

The audit committee has reviewed these interim results and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the six months period ended 30 September 2010, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

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

During the six months period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Wong Chung Wai, Eric
Executive Director

Hong Kong, 12 November 2010

As at the date hereof, the Board comprises the following Directors:

Executive Directors:

Mr. Wong Chung Wai, Eric (*Chairman*)

Ms. Li Wenli

Mr. Chan Yun Sang

Mr. Ng Chi Wing

Non-executive Director:

Dr. Pan Jin

Independent non-executive Directors:

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Tang Sze Lok

Mr. Lee Kwok Yung