

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 2011

* *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 giving 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

- Revenue for the six months ended 30th September 2011 amounted to approximately HK\$41 million representing an increase of approximately 132% over the corresponding period in 2010.
- Loss attributable to the shareholders for the six months ended 30th September 2011 amounted to approximately HK\$10.9 million representing a decrease of approximately 57% over the corresponding period in 2010 (2010: loss of HK\$25.5 million).
- Loss per share for the six months ended 30th September 2011 was approximately 0.5 HK cent (2010: loss per share 1.8 HK cents)
- The Board does not recommend the payment of any dividend for the six months ended 30th September 2011.

The board of Directors (“Board”) of the 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 30th September 2011, together with the unaudited comparative figures for the corresponding periods in 2010, as follows:—

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30th September		Six months ended 30th September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	2	15,294	11,858	41,466	17,897
Cost of services		(12,559)	(9,607)	(34,012)	(14,585)
Gross profit		2,735	2,251	7,454	3,312
Other income	4	649	2,884	1,795	4,445
Selling and distribution expenses		(1,232)	(1,589)	(1,744)	(2,841)
Administrative expenses		(11,435)	(8,966)	(17,725)	(21,114)
Other expenses	5	(67)	(8,640)	(67)	(8,784)
Finance costs	6	(285)	(278)	(553)	(492)
Loss before taxation		(9,635)	(14,338)	(10,840)	(25,474)
Income tax expenses	7	—	(1)	(95)	(58)
Loss for the period	8	(9,635)	(14,339)	(10,935)	(25,532)
Other comprehensive income/(expense) for the period					
Exchange difference arising on translation		135	1,091	257	(175)
Total comprehensive expenses for the period		(9,500)	(13,248)	(10,678)	(25,707)
Loss per share					
— basic (HK cents)	9	(0.4)	(1.0)	(0.5)	(1.8)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30th September 2011	Audited 31st March 2011
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Plant and equipment		5,071	6,106
Intangible assets		136,054	143,543
Goodwill		63,741	—
Interests in associates		45,989	45,989
Available-for-sale investments		27,317	27,317
Deposit paid for acquisition of plant and equipment		<u>18,500</u>	<u>18,500</u>
		<u>296,672</u>	<u>241,455</u>
Current assets			
Trade and other receivables and prepayments	10	97,940	73,897
Deposit for acquisition of subsidiaries	11	41,000	—
Amounts due from customers for contract work		21,030	16,332
Financial assets at fair value through profit or loss	12	536	570
Pledged bank deposits		1,770	2,724
Bank balances and cash		<u>7,557</u>	<u>17,490</u>
		<u>169,833</u>	<u>111,013</u>
Current liabilities			
Amounts due to customers for contract work		10,575	12,095
Trade and other payables	13	79,984	67,114
Receipts in advance		6,916	5,724
Warranty provision		25	53
Amount due to a substantial shareholder		17,047	10,930
Amount due to director		156	—
Income tax payable		3,711	3,711
Bank borrowings		12,258	11,954
Obligations under finance leases		<u>996</u>	<u>961</u>
		<u>131,668</u>	<u>112,542</u>
Net current assets/(liabilities)		<u>38,165</u>	<u>(1,529)</u>
Total assets less current liabilities		<u>334,837</u>	<u>239,926</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30th September 2011	Audited 31st March 2011
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	<i>14</i>	15,206	10,993
Reserves	<i>15</i>	314,044	225,536
Non-controlling interest		2,704	—
		<hr/>	<hr/>
Total equity		331,954	236,529
Non-current liabilities			
Obligations under finance leases		2,883	3,397
		<hr/>	<hr/>
		<u>334,837</u>	<u>239,926</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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			Non- Controlling Interest HK\$'000	
					Option Reserve HK\$'000	Currency Translation Reserve HK\$'000	Accumulated Profits/ (Losses) HK\$'000		
At 1st April 2010	6,529	45,970	2,439	1,200	—	4,131	(4,594)	—	55,675
Total comprehensive expenses 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 30th September 2010	<u>7,859</u>	<u>113,661</u>	<u>2,439</u>	<u>1,200</u>	<u>—</u>	<u>3,956</u>	<u>(30,126)</u>	<u>—</u>	<u>98,989</u>
At 1st April 2011	10,993	256,251	3,066	1,200	13,515	4,275	(52,771)	—	236,529
Total comprehensive income for the period, net of tax	—	—	—	—	—	257	(10,935)	—	(10,678)
Issue of shares upon									
— placement of shares	1,967	61,386	—	—	—	—	—	—	63,353
— acquisition of subsidiaries	2,246	39,714	—	—	—	—	—	—	41,960
— transaction cost attributable to placement of shares	—	(1,914)	—	—	—	—	—	—	(1,914)
Transfer from general reserve	—	—	(10)	—	—	—	10	—	—
Acquisition of non-controlling interests in subsidiary	—	—	—	—	—	—	—	2,704	2,704
At 30th September 2011	<u>15,206</u>	<u>355,437</u>	<u>3,056</u>	<u>1,200</u>	<u>13,515</u>	<u>4,532</u>	<u>(63,696)</u>	<u>2,704</u>	<u>331,954</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

	Six months ended	
	30th September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(12,187)	(35,087)
Net cash outflow from investing activities	(60,104)	(45,482)
Net cash inflow from financing activities	61,847	68,528
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(10,444)	(12,041)
Effects of foreign exchange rate	511	(175)
Cash and cash equivalents at 1st April	17,490	25,857
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>7,557</u>	<u>13,641</u>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	<u>7,557</u>	<u>13,641</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.

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 31st March 2011. 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. Revenue

Revenue represents income arising from the provision of systems development and provision of professional services.

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

	UNAUDITED			
	Three months ended 30th September		Six months ended 30th September	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Systems development	12,007	11,504	38,122	17,488
Professional services fees	3,287	354	3,344	409
	<u>15,294</u>	<u>11,858</u>	<u>41,466</u>	<u>17,897</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 revenue and results for the six months period by business segment is as follows:

	Systems development		Professional services		Consolidated	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	38,122	17,488	3,344	409	41,466	17,897
Segment results	(1,884)	3,143	851	169	(1,033)	3,312
Interest income					33	9
Unallocated operating income					19	4,436
Unallocated operating expenses					(9,306)	(32,739)
Finance costs					(553)	(492)
Income tax expenses					(95)	(58)
Loss for the period					(10,935)	(25,532)
Assets						
Segment assets	295,585	59,466	1,297	105	296,882	59,571
Unallocated assets					169,623	125,964
Total assets					466,505	185,535
Liabilities						
Segment liabilities	53,528	51,647	2,126	3,089	55,654	54,736
Unallocated liabilities					78,897	31,810
Total liabilities					134,551	86,546
Other information						
Depreciation & Amortisation for the period						
— Segment	165	291	27	—	192	291
— Unallocated					914	706
					1,106	997

(b) Geographical segments

For the period ended 30th September 2011 and 2010, over 90% of the Group's revenue and assets were derived from customers and operations based in the People's Republic of China ("PRC") and accordingly, no further analysis of the Group's geographical segments is disclosed.

4. Other income

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2011	2010	2011	2010
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Reversal of impairment loss in respect of trade receivables	619	1,243	1,485	2,034
Reversal of impairment loss in respect of other receivables	78	231	258	342
Gain/(loss) on disposal of financial assets at fair value through profit or loss	(61)	5	19	5
Interest income	13	1	33	9
Sundry income	—	1,404	—	2,055
	<u>649</u>	<u>2,884</u>	<u>1,795</u>	<u>4,445</u>

5. Other expenses

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2011	2010	2011	2010
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Fair value loss on financial assets at fair value through profit or loss	<u>67</u>	<u>8,640</u>	<u>67</u>	<u>8,784</u>

6. Finance costs

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowing due within one year	222	199	433	371
Finance lease	63	79	120	121
	<u>285</u>	<u>278</u>	<u>553</u>	<u>492</u>

7. Income tax expenses

- (a) Hong Kong profit tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong during the six months ended 30th September 2011 and 2010.
- (b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate is 25%.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, one subsidiary qualified as an advanced technology enterprise and was subject to a preferential Enterprise Income Tax rate of 15% (2010: 15%) which was effective from 1st January 2008 to 31st December 2010. The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% starting from 1st January 2011.

8. Loss for the period

Loss for the period has been arrived at after charging:

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff Costs				
Salaries and other benefits	3,129	4,015	5,479	6,903
Retirement benefits scheme contributions	682	854	1,222	1,590
	<u>3,811</u>	<u>4,869</u>	<u>6,701</u>	<u>8,493</u>
Auditors' remuneration	113	160	225	320
Amortisation of intangible assets	7,092	—	7,489	—
Depreciation of plant and equipment	541	560	1,106	997
Operating leases rentals in respect of land and buildings	689	670	1,158	1,232
Net exchange loss	<u>1</u>	<u>—</u>	<u>1</u>	<u>1,921</u>

9. Loss per share

The calculation of basic loss per share for the three months and six months ended 30th September 2011 were based on the loss attributable to the shareholders of approximately of HK\$9,635,000 and HK\$10,935,000 (2010: losses of HK\$14,339,000 and HK\$25,532,000) divided by the weighted average number of 2,376,439,000 shares for the three months and six months ended (2010: 1,395,749,000 shares) in issue during the period.

As the Group sustained a loss for the period, diluted loss per share is not presented as the potential shares arising from the exercise of the Company's share options would decrease the loss for the six months ended 30th September 2011 and 2010 which is regarded as anti-dilutive.

10. Trade and other receivables and prepayments

	Unaudited At 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
Trade and bills receivables	60,857	44,709
Less: Impairment loss recognised in respect of trade receivables	(17,144)	(17,897)
	43,713	26,812
Retention receivables	3,633	7,167
Less: Impairment loss recognised in respect of retention receivables	(1,193)	(1,450)
	2,440	5,717
Prepayments, deposits and other receivables	70,425	59,761
Less: Impairment loss recognised in respect of other receivables	(18,638)	(18,393)
	51,787	41,368
	97,940	73,897

- (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.

Impairment loss is recognized again trade receivables more than one year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

- (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 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
0-30 days	18,830	7,712
31-90 days	9,414	—
Over 90 days	15,469	19,100
	43,713	26,812

11. Deposit for acquisition of subsidiaries

Balance at 30th September 2011 represents a refundable deposit of HK\$20,000,000 paid to prospective seller for the possible acquisition of the entire issued share of capital of Fame Thrive Limited, details of the possible acquisition are disclosed in the announcement of the Company dated 30th December 2010, 6th May 2011 and 30th June 2011, and a refundable deposit of HK\$21,000,000 paid to Gold Tycoon Limited for the possible acquisition of not less than 50% of the entire issued share capital of Gold Depot Investments Limited, details of the possible acquisition are disclosed in the announcement of the Company dated 20th April 2011, 17th May 2011 and 17th October 2011.

12. Financial assets at fair value through profit or loss

	Unaudited At 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
Equity securities listed in the PRC, at fair value	<u><u>536</u></u>	<u><u>570</u></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 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
Trade payable	31,633	15,890
Other payable and accruals	<u>48,351</u>	<u>51,224</u>
	<u><u>79,984</u></u>	<u><u>67,114</u></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 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
0-30 days	8,901	11
31-90 days	6,840	654
Over 90 days	<u>15,892</u>	<u>15,225</u>
	<u><u>31,633</u></u>	<u><u>15,890</u></u>

14. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$ 0.005 each at 31st March 2011 and 30th September 2011	<u>40,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.005 each at 31st March 2011	2,198,484,547	10,993
Issue of shares of HK\$0.005 each upon share placements (<i>Note a</i>)	393,500,000	1,967
Issue of shares of HK\$0.005 each upon acquisition of subsidiaries (<i>Note b</i>)	<u>449,196,909</u>	<u>2,246</u>
	<u>3,041,181,456</u>	<u>15,206</u>

Notes:

- (a) On 18th May 2011, the Company allotted and issued a total of 393,500,000 shares of HK\$0.005 each to certain independent parties at the price of HK\$0.161 per share for a cash consideration of HK\$63.35 million (before expenses).
- (b) On 15th July 2011, the Company allotted and issued, credited as fully paid, a total of 49,196,909 shares of HK\$0.005 each in relation to the acquisition of 51% of the registered capital of 青島博達保險經紀有限公司 (unofficial English translation being Qingdao Boda Insurance Brokerage Company Limited) at the price of HK\$0.1618 per share as consideration shares.

On 12th September 2011, the Company allotted and issued, credited as fully paid, a total of 400,000,000 shares of HK\$0.005 each in relation to the acquisition of the entire issued share capital of Joint Bridge Investments Limited at the price of HK\$0.10 per share as consideration shares.

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

(a) Capital commitments for the acquisition of intangibles assets, plant and equipment

	Unaudited At 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
Contracted but not provided for	<u>25,500</u>	<u>25,500</u>

(b) Commitment under operating lease

The Group leases certain of its office premises under operating lease. Leases for properties are negotiated for a term ranging from one to two years and rentals are fixed, with an option to renew the lease. At 30th September 2011 the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited At 30th September 2011 HK\$'000	Audited At 31st March 2011 HK\$'000
Within 1 year	1,669	2,535
After 1 year but within 5 years	—	—
	<u>1,669</u>	<u>2,535</u>

17. Dividend

The Board does not recommend the payment of any dividend for the six months ended 30th September 2011 (2010: Nil).

18. Litigation

On 19th 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 (the "Plaintiffs") against the Company for specific performance of the agreement entered into 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 action has been dormant since end of 2008. The Directors believe that the Company has a strong defence in this action and therefore, no provision for liabilities was made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Benefited from the revenue contribution from Fullmark Management Limited and the improved operation of the Group's research, development and provision of integrated management information system division, the Group's revenue for the six months ended 30th September 2011 amounted to approximately HK\$41 million representing an increase of approximately 132% over the corresponding period in 2010.

Financial Performance

Revenue for the three months ended 30th September 2011 of approximately HK\$15 million is about 43% lower than that for the three months ended 30th June 2011 which is HK\$26.2 million. Such decrease was mainly due to the fact that no major contract in relation to systems development was awarded to the Group in the period under review. Amortisation of intangible assets of approximately HK\$7.5 million for InsureLink System of Fullmark Management Limited had been incurred during the period under review. Such amortisation has resulted in a loss to the segment results of systems development.

Even so, with the better results for the first three months ended 30th June 2011, the Group still recorded a revenue of HK\$41 million (2010: HK\$18 million) during the six months ended 30th September 2011 representing an increase of approximately 132% as compared to that of the corresponding period in 2010.

On the other hand, fair value on loss on financial assets at fair value through profit or loss (which was included in the other expenses) decreased to approximately HK\$0.1 million as compared to HK\$8.8 million of the previous corresponding period, representing a decrease of approximately 99.2%.

As a result of the increase in revenue and decrease in other expenses for the six months ended 30th September 2011 as mentioned above, loss attributable to the shareholders was reduced to approximately HK\$10.9 million (2010: loss of HK\$25.5 million).

Liquidity and Financial Resources

As at 30th September 2011, shareholders' funds of the Group amounted to approximately HK\$332 million (2010: HK\$99 million). Current assets amounted to approximately HK\$170 million (2010: HK\$152 million), of which approximately HK\$8 million (2010: HK\$14 million) were cash and cash equivalents. Current liabilities of HK\$132 million (2010: HK\$87 million) were mainly trade and other payables.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 30th September 2011 was 40.5 % (2010: 87%).

Foreign Currency Exposure

During the six months ended 30th September 2011, 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

Save as disclosed in Note 14 of the unaudited condensed financial statements above, there has been no change in the capital structure of the Company from 1st April 2011 up to 30th September 2011.

On 11th November 2011, a share consolidation became effective by which every ten shares of HK\$0.005 each (before such share consolidation) in the issued and unissued share capital of the Company was consolidated into one share of HK\$0.05 (after such share consolidation) in the issued and unissued share capital of the Company.

Details of the above share consolidation are disclosed in the circular of the Company dated 25th October 2011.

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) On 20th April 2011, the Company and Gold Tycoon Limited, a company incorporated in the British Virgin Islands with limited liability, entered into the memorandum of broad terms in relation to the proposed acquisition of not less than 50% of the entire issued share capital of the Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The Company understood that Gold Depot Investments Limited directly or indirectly owns an exploration right and a mining right of a gold mine located in Guizhou, the People's Republic of China.

Details of the above possible acquisition are disclosed in the announcement of the Company dated 20th April 2011, 17th May 2011 and 17th October 2011.

- (ii) On 24th June 2011, Fei Luxi (費露熙) and 鑫約福(上海)貿易有限公司 (unofficial English translation being Fullmark (Shanghai) Trading Company Limited), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement whereby Fei Luxi (費露熙) agreed to sell, and 鑫約福(上海)貿易有限公司 (unofficial English translation being Fullmark (Shanghai) Trading Company Limited) agreed to purchase, 51% of the registered capital of 青島博達保險經紀有限公司 (unofficial English translation being Qingdao Boda Insurance Brokerage Company Limited), at the consideration of HK\$33,000,000. The principal business of 青島博達保險經紀有限公司 is, among others, the provision of insurance brokerage service in Qingdao and its surrounding area.

Having obtained a legal opinion from its legal advisers as to the PRC law confirming that all necessary documents in relation to the acquisition had been submitted to the relevant authorities for approval, the Company has issued, credited as fully paid, an aggregate of 49,196,909 shares to the vendor to satisfy part of the consideration.

Details of the above transaction are disclosed in the announcements of the Company dated 23rd May 2011, 24th June 2011 and 15th July 2011.

- (iii) On 2nd September 2011, the Company and Liang Zhuo Hui and Chen Nan (collectively, the “Vendors”) entered into sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the issued share capital of Joint Bridge Investments Limited, for a consideration of HK\$40,000,000. A wholly-owned subsidiary of Joint Bridge Investments Limited is principally engaged in the development and application of computer software and system integration and computer technology consultancy services. The completion of this acquisition took place on 12th September 2011 and the consideration for the acquisition was satisfied by the Company allotting and issuing, credited as fully paid, 400,000,000 shares of the Company to the Vendors.

Details of the above acquisition are disclosed in the announcements of the Company dated 2nd September 2011, 5th September 2011 and 12th September 2011.

Employees and Remuneration Policies

As at 30th September 2011, the Group hired 21 and 104 employees in Hong Kong and PRC respectively (2010: a total of 181 including the executive Directors. Total staff costs including Directors' remuneration for the six months period under review amounting to approximately HK\$5.2 million (2010: HK\$8.5 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 30th September 2011, no options had been granted under such share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30th September 2011, the Group did not have any material charge on assets or any contingent liabilities (2010: Nil).

Future Plans to Material Investments or Capital Assets

As at 30th September 2011, the Group had no plans for material investments or capital assets save as disclosed in the subsection headed "Material Acquisitions and Significant Investments" above and Note 11 of the unaudited condensed financial statements above.

Future Prospects

It has been the Company's long term goal to maximize shareholders' 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 Groups' operations and enhance its earnings.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September 2011, 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	Nature of shares interested	Number of shares interested	Approximate percentage of issued share Capital <i>(note 3)</i>
Mr. Wong Chung Wai, Eric <i>(note 1)</i>	Beneficial owner	10,000,000	0.33%
Mr. Chan Yun Sang <i>(note 2)</i>	Beneficial owner	10,000,000	0.33%

Note:

1. Mr. Wong Chung Wai, Eric is an executive Director. As at 30th September 2011, Mr. Wong Chung Wai, Eric was interested in 2,000,000 issued shares of the Company and an option to subscribe up to 8,000,000 shares of the Company.
2. Mr. Chan Yun Sang is an executive Director. As at 30th September 2011, Mr. Chan Yun Sang was interested in 2,000,000 issued shares of the Company and an option to subscribe up to 8,000,000 shares of the Company.
3. As at 30th September 2011, the issued share capital of the Company is 3,041,181,456 shares.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at the 30th September 2011, 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:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding
Chiu Wai Shing	Beneficial owner	217,340,000	7.14%
Resuccess Investments Limited (<i>note 1</i>)	Beneficial owner	158,900,000	5.22%
Tsinghua Tongfang Co. Limited (<i>note 1</i>)	Interest in controlled corporation	158,900,000	5.22%

Notes:

1. Resuccess Investments Ltd. is a company incorporated in the British Virgin Islands with limited liability and is owned by Tsinghua Tongfang Co. Ltd. Tsinghua Tongfang Co. Ltd. will be taken to be interested in 158,900,000 issued shares in the Company as a result of it being beneficially interested in 100% of the issued share capital of Resuccess Investments Limited.
2. As at 30th September 2011, the issued share capital of the Company is 3,041,181,456 shares.

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 30th September 2011 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30th September 2011, none of the Directors, 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

During the six months ended 30th September 2011, the movement or the options granted under the share option scheme adopted by the Company on 22nd October 2003 are as follows:

	Number of options outstanding as at 1st March 2011	Number of options granted during the year	Date of grant	Vesting period	Number of options exercised during the year	Closing price of the securities immediately before the date on which the options were exercised	Number of options cancelled or lapsed during the year	Number of options outstanding as at 30th September 2011	Exercise price of the option and exercise period	Closing price immediately before the date on which the options were granted
Directors										
Mr. Wong Chung Wai, Eric	8,000,000	Nil	N/A	N/A	Nil	N/A	Nil	8,000,000	N/A	N/A
Mr. Chan Yun Sang	8,000,000	Nil	N/A	N/A	Nil	N/A	Nil	8,000,000	N/A	N/A
Others										
Employee	8,000,000	Nil	N/A	N/A	Nil	N/A	8,000,000	Nil	N/A	N/A
Employee	11,450,000	Nil	N/A	N/A	Nil	N/A	Nil	11,450,000	N/A	N/A

Save as disclosed herein, as at 30th September 2011, none of the Directors, chief executive, substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Company

AUDIT COMMITTEE

The Company has established an audit committee on 18th 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.

As at the date of this report, the audit committee comprises three independent non-executive directors, namely, Mr. Tang Sze Lok, Mr. Chan Wai Kwong, Peter and Mr. Xu Jingbin, where 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions in securities of the Company by the Directors.

Having made specified enquiry with the Directors, all the Directors confirmed that they had complied with the required standard of dealings for the year ended 30th September 2011.

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 to 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
Chairman and Executive Director

Hong Kong, 14th November 2011

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

Executive Directors:

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

Mr. Chan Yun Sang

Mr. Choi King Lit

Mr. Han Fangfa

Ms. Ju Lijun

Mr. Liu Bo

Non-executive Director:

Dr. Pan Jin

Independent non-executive Directors:

Mr. Tang Sze Lok

Mr. Chan Wai Kwong, Peter

Mr. Xu Jingbin