

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際(控股)有限公司*

(Incorporation in the cayman islands with limited liability)

(Stock Code: 8103)

INTERIM REPORT 2012

* *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 2012 amounted to approximately HK\$29.5 million representing a decrease of approximately 29% over the corresponding period in 2011.
- Loss attributable to the shareholders for the six months ended 30th September 2012 amounted to approximately HK\$0.3 million representing a decrease of approximately 97% over the corresponding period in 2011 (2011: loss of approximately HK\$10.9 million).
- Loss per share for the six months ended 30th September 2012 was approximately 0.1 HK cents (2011: loss per share 4.6 HK cents).
- The Board does not recommend the payment of any dividend for the six months ended 30th September 2012.

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 2012, together with the unaudited comparative figures for the corresponding periods in 2011, as follows:–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended 30th September		Six months ended 30th September	
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	2	13,620	15,294	29,529	41,466
Cost of services		(4,246)	(12,559)	(12,768)	(34,012)
Gross profit		9,374	2,735	16,761	7,454
Other income	4	739	649	1,600	1,795
Selling and distribution expenses		(152)	(1,232)	(407)	(1,744)
Administrative expenses		(8,369)	(11,435)	(17,623)	(17,725)
Other expenses	5	(57)	(67)	(67)	(67)
Finance costs	6	(307)	(285)	(564)	(553)
Profit/(Loss) before taxation		1,228	(9,635)	(300)	(10,840)
Income tax expenses	7	–	–	–	(95)
Profit/(Loss) for the period	8	1,228	(9,635)	(300)	(10,935)
Other comprehensive income/ (expense) for the period exchange difference arising on translation		(53)	135	(124)	257
Total comprehensive income/ (expenses) for the period		1,175	(9,500)	(424)	(10,678)
Profit/(Loss) per share – basic (HK cents)	9	0.3	(4.1)	(0.1)	(4.6)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30th September 2012	Audited 31st March 2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Plant and equipment		3,878	4,165
Intangible assets		178,851	189,189
Interests in associates		45,944	45,973
Available-for-sale investments		25,600	25,600
Deposit paid for acquisition of subsidiaries		60,000	45,000
Deposit paid for acquisition of intangible assets		7,500	7,500
		321,773	317,427
Current assets			
Inventories		14,264	14,390
Trade and other receivables and prepayments	10	119,455	76,251
Amounts due from customers for contract work		18,904	16,182
Financial assets at fair value through profit or loss	11	563	549
Pledged bank deposits		2,248	1,937
Bank balances and cash		8,865	23,855
		164,299	133,164
Current liabilities			
Amounts due to customers for contract work		21,526	17,029
Trade and other payables	12	42,150	63,903
Receipts in advance		6,694	8,130
Warranty provision		31	31
Amount due to a substantial shareholder		17,374	17,147
Income tax payable		6,256	6,256
Bank borrowings		12,228	12,336
Obligations under finance leases		1,062	1,008
		107,321	125,840
Net current assets		56,978	7,324
Total assets less current liabilities		378,751	324,751

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30th September 2012	Audited 31st March 2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	<i>13</i>	28,847	15,847
Reserves	<i>14</i>	320,322	303,789
		<hr/>	<hr/>
		349,169	319,636
Non-controlling interest		2,660	2,683
		<hr/>	<hr/>
Total equity		351,829	322,319
Non-current liabilities			
Obligations under finance leases		1,922	2,432
Promissory notes		10,000	–
Convertible bonds		15,000	–
		<hr/>	<hr/>
		378,751	324,751
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company										
	Share Capital <i>HKS'000</i>	Share Premium <i>HKS'000</i>	General Reserve <i>HKS'000</i>	Capital Reserve <i>HKS'000</i>	Share Option Reserve <i>HKS'000</i>	Foreign			Non-		
						Unlisted warranties <i>HK'000</i>	Currency Translation Reserve <i>HKS'000</i>	Accumulated Profits/ (Losses) <i>HKS'000</i>	Controlling		Total <i>HKS'000</i>
									Total <i>HKS'000</i>	Interest <i>HKS'000</i>	
At 1st April 2011	10,993	256,251	3,066	1,200	13,515	-	4,275	(52,771)	236,529	-	236,529
Total comprehensive income for the period, net of tax	-	-	-	-	-	-	257	(10,935)	(10,678)	-	(10,678)
Issue of shares upon											
- placement of shares	1,967	61,386	-	-	-	-	-	-	63,353	-	63,353
- acquisition of subsidiaries	2,246	39,714	-	-	-	-	-	-	41,960	-	41,960
- transaction cost attributable to placement of shares	-	(1,914)	-	-	-	-	-	-	(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>-</u>	<u>4,532</u>	<u>(63,696)</u>	<u>329,250</u>	<u>2,704</u>	<u>331,954</u>
At 1st April 2012	<u>15,847</u>	<u>356,466</u>	<u>3,056</u>	<u>1,200</u>	<u>12,269</u>	<u>-</u>	<u>5,103</u>	<u>(74,305)</u>	<u>319,636</u>	<u>2,683</u>	<u>322,319</u>
Total comprehensive income for the period, net of tax	-	-	-	-	-	-	(124)	(300)	(424)	(23)	(447)
Issue of shares upon											
- placement of shares	13,000	16,900	-	-	-	-	-	-	29,900	-	29,900
- unlisted warranties	-	-	-	-	-	1,148	-	-	1,148	-	1,148
- transaction cost attributable to placement of shares	-	(940)	-	-	-	-	-	-	(940)	-	(940)
- transaction cost attributable to unlisted warranties	-	(151)	-	-	-	-	-	-	(151)	-	(151)
At 30th September 2012	<u>28,847</u>	<u>372,275</u>	<u>3,056</u>	<u>1,200</u>	<u>12,269</u>	<u>1,148</u>	<u>4,979</u>	<u>(74,605)</u>	<u>349,169</u>	<u>2,660</u>	<u>351,829</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

	Six months ended	
	30th September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(43,118)	(12,187)
Net cash outflow from investing activities	(16,174)	(60,104)
Net cash inflow from financing activities	44,394	61,847
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(14,898)	(10,444)
Effects of foreign exchange rate	(92)	511
Cash and cash equivalents at 1st April	23,855	17,490
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	8,865	7,557
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	8,865	7,557
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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 2012. 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, which is also the turnover of the Group, represents the amounts arising from systems development, professional service rendered and software licensing, net of sales related taxes.

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		Six months ended	
	30th September		30th September	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	5,687	12,007	15,046	38,122
Professional services	1,599	3,287	2,016	3,344
Software licensing	6,334	–	12,467	–
	<u>13,620</u>	<u>15,294</u>	<u>29,529</u>	<u>41,466</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:

	System development		Professional services		Insurance brokerage business		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue from external customers	<u>27,513</u>	<u>38,122</u>	<u>2,016</u>	<u>3,344</u>	<u>-</u>	<u>-</u>	<u>29,529</u>	<u>41,466</u>
Segment results	<u>5,387</u>	<u>(1,884)</u>	<u>1,818</u>	<u>851</u>	<u>(1,493)</u>	<u>-</u>	<u>5,712</u>	<u>(1,033)</u>
Interest income							28	33
Unallocated operating income							68	19
Unallocated operating expenses							(5,544)	(9,306)
Finance costs							(564)	(553)
Income tax expenses							-	(95)
Loss for the period							<u>(300)</u>	<u>(10,935)</u>
Assets								
Segment assets	<u>253,211</u>	<u>295,585</u>	<u>1,471</u>	<u>1,297</u>	<u>31,557</u>	<u>-</u>	<u>286,239</u>	<u>296,882</u>
Unallocated assets							<u>199,833</u>	<u>169,623</u>
Total assets							<u>486,072</u>	<u>466,505</u>
Liabilities								
Segment liabilities	<u>49,958</u>	<u>53,528</u>	<u>3,031</u>	<u>2,126</u>	<u>-</u>	<u>-</u>	<u>52,989</u>	<u>55,654</u>
Unallocated liabilities							<u>81,254</u>	<u>78,897</u>
Total liabilities							<u>134,243</u>	<u>134,551</u>
Other segment information								
Depreciation of plant and equipment								
– Segment	<u>200</u>	<u>165</u>	<u>5</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>192</u>
– Unallocated							<u>832</u>	<u>914</u>
							<u>1,037</u>	<u>1,106</u>
Amortisation of intangible assets								
– Segment	<u>8,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,493</u>	<u>-</u>	<u>10,337</u>	<u>-</u>
– Unallocated							<u>-</u>	<u>-</u>
							<u>10,337</u>	<u>-</u>

(b) Geographical segments

For the period ended 30th September 2012 and 2011, 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	
	2012	2011	2012	2011
<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	111	619	588	1,485
Reversal of impairment loss in respect of retention receivables	129	–	129	–
Reversal of impairment loss in respect of other receivables	89	78	302	258
Fair value gain/(loss) on financial assets at fair value through profit or loss	9	(61)	68	19
Interest income	8	13	28	33
Sundry income	393	–	485	–
	<u>739</u>	<u>649</u>	<u>1,600</u>	<u>1,795</u>

5. OTHER EXPENSES

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2012	2011	2012	2011
<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	57	67	67	67

6. FINANCE COSTS

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowing due within one year	237	222	466	433
Finance lease	70	63	98	120
	<u>307</u>	<u>285</u>	<u>564</u>	<u>553</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 2012 and 2011.
- (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%.

8. PROFIT/(LOSS) FOR THE PERIOD

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

	UNAUDITED			
	Three months ended		Six months ended	
	30th September		30th September	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff Costs				
Salaries and other benefits	1,950	3,129	4,313	5,479
Retirement benefits scheme contributions	382	682	941	1,222
	<u>2,332</u>	<u>3,811</u>	<u>5,254</u>	<u>6,701</u>
Auditors' remuneration	125	113	250	225
Amortisation of intangible assets	4,970	7,092	10,337	7,489
Depreciation of plant and equipment	489	541	1,037	1,106
Operating leases rentals in respect of land and buildings	195	689	244	1,158
Net exchange loss	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

9. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit per share for the three months and the basic loss per share for the six months ended 30th September 2012 were based on the profit attributable to the shareholders of approximately HK\$1,228,000 and loss of approximately HK\$300,000 (2011: losses of approximately HK\$9,635,000 and approximately HK\$10,935,000) divided by the weighted average number of 378,245,000 shares for the three months and six months ended (2011: 237,643,000 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 2012 and 2011 which is regarded as anti-dilutive.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited At 30th September 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
Trade and bills receivables	76,684	72,921
Less: Impairment loss recognised in respect of trade receivables	(36,961)	(37,710)
	39,723	35,211
Retention receivables	9,157	4,344
Less: Impairment loss recognised in respect of retention receivables	(1,061)	(1,201)
	8,096	3,143
Prepayments, deposits and other receivables	99,774	66,523
Less: Impairment loss recognised in respect of other receivables	(28,138)	(28,626)
	71,636	37,897
	119,455	76,251

- (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 against trade receivables of 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 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
0-30 days	11,882	15,264
31-90 days	16,627	11,133
Over 90 days	11,214	8,814
	<u>39,723</u>	<u>35,211</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited At 30th September 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
Equity securities listed in the PRC, at fair value	<u>563</u>	<u>549</u>

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

12. TRADE AND OTHER PAYABLES

	Unaudited At 30th September 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
Trade payable	19,123	24,889
Other payable and accruals	23,027	39,014
	<u>42,150</u>	<u>63,903</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 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
0-30 days	2	6,142
31-90 days	2,808	1,769
Over 90 days	16,313	16,978
	<u>19,123</u>	<u>24,889</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each at 31st March 2012 and 30th September 2012	4,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.05 each at 31st March 2012	316,938,145	15,847
Issue of shares upon share placing (Note)	260,000,000	13,000
	<u>576,938,145</u>	<u>28,847</u>

Note:

On 18th September 2012, the Company allotted and issued a total of 260,000,000 shares to certain independent parties at the price of HK\$0.115 per share for a cash consideration of HK\$28.75 million (after all relevant expenses).

14. 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.

15. COMMITMENTS

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

	Unaudited At 30th September 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
Contracted but not provided for	12,500	12,500

(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 2012 the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	Unaudited At 30th September 2012 HK\$'000	Audited At 31st March 2012 HK\$'000
Within 1 year	318	562

16. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30th September 2012 (2011: Nil).

17. LITIGATION

- (a) On 12th March 2012, a High court Action No.1861 of 2011 was commenced by Joint China Value Investment Fund Limited against the Company for a dishonoured cheque in the amount of HK\$16,500,000 issued by the Company. The Company has contested the case vigorously. Having sought legal advices, the Directors believe that the Company has a strong defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities in this respect has been made in the consolidated financial statements.
- (b) 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 Plaintiffs have 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 in the consolidated financial statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30th September 2012 amount to approximately HK\$29.5 million representing a decrease of approximately 29% as compared to the corresponding period in 2011. Notwithstanding the increase in the revenue of software licensing of approximately HK\$12.5 million (2011: nil) due to the soft-launch of the Chinese version of the InsureLink System in April 2012, the Group still recorded a decrease in revenue due to the decrease in revenue from system developments from approximately HK\$38 million to approximately HK\$15 million and the revenue from professional services from approximately HK\$3 million to approximately HK\$2 million resulted from the declining demand caused by recent global economic downturn.

Financial Performance

During the six months ended 30th September 2012, the Group recorded a revenue of approximately HK\$29.5 million (2011: HK\$41 million) representing a decrease of approximately 29% as compared to that of the corresponding period in 2011. Administrative expenses decreased to approximately HK\$17.6 million as compared to approximately HK\$17.7 million of the previous corresponding period, representing a decrease of approximately 0.6% as compared to the corresponding period in 2011. Selling and distribution expense decreased from approximately HK\$1.7 million to approximately HK\$0.4 million, which was in line with the decrease in the Group's revenue from its operations in systems development and professional services. Loss attributable to the shareholders was approximately HK\$0.3 million (2011: loss of HK\$10.9 million).

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 systems development and professional services, the Company has been exploring business opportunities to expand the Groups' operations and enhance its earnings.

Fund raising exercises conducted during the period under review

During the period under review:

- (i) on 3rd April 2012, the Company issued 57,380,000 unlisted warrants at the issue price of HK\$0.02 per warrant. The holders of the warrants are entitled to subscribe at the subscription price of HK\$0.19 per share (subject to adjustment) for up to HK\$10,902,200 in aggregate for new shares of the Company of HK\$0.05 each (i.e. up to 57,380,000 new shares). Net proceeds of approximately HK\$0.75 million were received as a result and, as disclosed in the Company's announcement dated 4th October 2012, such proceeds were used as general working capital of the Group;

- (ii) on 3rd May 2012, the Company issued a convertible note to Mr. Wong Kwong Chau in the principal amount of HK\$15,000,000, which entitles Mr. Wong (or the holder(s) of the convertible note) to exercise the rights to convert the outstanding principal amount into the shares of the Company of HK\$0.05 each at the conversion price of HK\$0.25 per share (subject to adjustment). Net proceeds of approximately HK\$14.7 million were received as a result and, as disclosed in the Company's announcement dated 4th October 2012, approximately HK\$8 million of such proceeds was used as research development and consultancy, HK\$2 million of such proceeds was used as general overheads and expenses and HK\$1.5 million of such proceeds was used as professional fees and the balance of approximately HK\$ 3.2 million of such proceeds was held as bank deposit; and
- (iii) on 18th September 2012, 260,000,000 new shares were placed at a price of HK\$0.115 per placing share. Net proceeds of approximately HK\$28.75 million were received as a result and, as disclosed in the Company's announcement dated 4th October 2012, HK\$15 million of which was used for financing a potential acquisition, approximately HK7 million as software development, HK\$3 million for general working capital for existing business operations of the Group and HK\$3.75 million was used for general overheads and expenses as well as professional fees.

Liquidity and Financial Resources

As at 30th September 2012, shareholders' funds of the Group amounted to approximately HK\$349 million (2011: HK\$329 million). Current assets amounted to approximately HK\$164 million (2011: HK\$170 million), of which approximately HK\$9 million (2011: HK\$8 million) were cash and cash equivalents. Current liabilities of HK\$107 million (2011: HK\$132 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 2012 was approximately 38.4 % (2011: approximately 40.7%).

Foreign Currency Exposure

During the six months ended 30th September 2012, 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 the share placing as disclosed in Note 13 of the unaudited condensed financial statements above, there has been no change in the capital structure of the Company from 1st April 2012 up to 30th September 2012. Details of the above share placing are disclosed in the circular of the Company dated 6th August 2012.

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) Possible acquisition of the entire issued share capital of Fame Thrive Limited

On 30th December 2010, the Company and an independent third party entered into a memorandum of understanding in respect of the possible acquisition of the entire issued share capital of Fame Thrive Limited, a company incorporated in the British Virgin Islands with limited liability. Pursuant to the memorandum of understanding, Fame Thrive Limited will implement a reorganisation whereby it will, directly or indirectly, establish a wholly-foreign owned enterprise in the PRC and such wholly-foreign owned enterprise will enter into a co-operation arrangement with 東大保險經紀有限責任公司 (unofficial English translation being “Dongda Insurance Brokerage Company Limited”), a company established in the PRC. Dongda Insurance Brokerage Company Limited provides property and life insurance professional insurance brokers services (such as engineering insurance, cargo transportation insurance liability insurance and group life insurance) and reinsurance brokers service.

Subsequently on 6th May 2011, the Company entered into an addendum to the memorandum of understanding with the prospective seller to provide for the payment of HK\$20,000,000 to the prospective seller as an interest-free refundable earnest money for the possible acquisition of the entire issued share capital of Fame Thrive Limited and as part payment of the consideration if the formal acquisition agreement is entered into between the Company and the prospective seller.

The earnest money was paid by the Company to the prospective seller upon signing of the addendum.

Pursuant to the addenda entered into between the prospective seller and the Company on 30th June 2011, 30th December 2011, 29th February 2012, 31st May 2012, 31st July 2012 and 28th September 2012, the exclusivity period in which the prospective seller shall not, whether by herself or through other third parties, discuss with any other third parties in relation to the possible acquisition has been extended to 30th November 2012.

The final consideration for the possible acquisition has not yet been determined but is expected to be not less than HK\$150 million, and may be satisfied by the Company (or its nominee) to the prospective seller (i) in cash; (ii) by issuing of new Shares; (iii) by issuing convertible notes by the Company; or (iv) a combination of any of the above (i), (ii) and/or (iii), or such any other forms of payment to be agreed by the prospective seller and the Company in the formal acquisition agreement.

Details of the above possible acquisition are disclosed in the announcements of the Company dated 30th December 2010, 6th May 2011, 30th June 2011, 30th December 2011, 6th March 2012, 31st May 2012 and 28th September 2012.

In the event that such possible acquisition is not proceeded with, the earnest money paid by the Group will be refunded by the prospective seller.

- (ii) Possible acquisition of not more than 20% of the entire issued share capital of Gold Depot Investments Limited

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 Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability, in which 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 PRC.

Subsequently on 17th May 2011, the Company and Gold Tycoon Limited entered into the addendum to the memorandum of broad terms to provide for the payment of HK\$25,000,000 to Gold Tycoon Limited as an interest-free refundable earnest money for the possible acquisition of not less than 50% of the entire issued share capital of Gold Depot Investments Limited and as part payment of the consideration if the definitive agreement is entered into between the Company (or its nominee) and Gold Tycoon Limited. The earnest money was paid by the Company to Gold Tycoon Limited upon signing of the addendum.

Pursuant to the addenda entered into between the Company and Gold Tycoon Limited on 17th October 2011, 30th December 2011 and 29th June 2012, the exclusivity period (“**Exclusivity Period**”) in which Gold Tycoon Limited shall not, among other things, directly or indirectly, discuss or negotiate with any other party for the purpose of frustrating or impeding the furtherance of the transaction contemplated under the memorandum of broad terms had been extended to 30th September 2012.

On 28th September 2012, the Company and Gold Tycoon Limited entered into another addendum to the memorandum of board terms to record their intention to scale down the scale of the proposed acquisition (from not less than 50% of the issued share capital of Gold Depot Investments Limited) to not more than 20% of the issued share capital of Gold Depot Investments Limited. Further, by way of such addendum, the Exclusivity Period had been extended to 30th November 2012.

The final consideration of the above possible acquisition has not yet been determined and may be satisfied by the Group (i) in cash; (ii) by issue of new Shares; (iii) by issuing convertible note by the Company; and/or (iv) a combination of any of the above (i), (ii) and/or (iii).

Details of the above possible acquisition are disclosed in the announcements of the Company dated 20th April 2011, 17th May 2011, 17th October 2011, 30th December 2011, 29th June 2012 and 28th September 2012.

In the event that such possible acquisition is not proceeded with, the earnest money paid by the Group will be refunded by Gold Tycoon Limited.

- (iii) Possible acquisition of the majority equity interest of a company incorporated in the British Virgin Islands

On 4th July 2012, the Company entered into a memorandum of understanding with Zhao Tuan Jie (“**Zhao**”) in relation to the proposed acquisition of the majority equity interest in a company incorporated in the British Virgin Islands (“**BVI Holding Co.**”) owned by Zhao. Zhao is in the course of restructuring, after which a company incorporated in the PRC (which is principally engaging in selling air tickets and travel products online and is named as 深圳市淘淘通航空服務有限公司 (“**Target**”)) will be indirectly beneficially owned as to 90% by Zhao through the BVI Holding Co.

On 14th September 2012, the Company entered into a supplemental memorandum of understanding with the Zhao, pursuant to which Zhao agreed to extend the exclusive period within which Zhao shall not enter into any binding commitment or any negotiation, arrangement or agreement on the disposal of the equity interest in the BVI Holding Co. until 4th January 2013. In consideration of the granting of such extension of such exclusive period, the Company paid a refundable deposit of HK\$15 million to the Vendor. The deposit shall be refunded in full without interest or compensation to the Company upon expiration of the aforesaid exclusive period if no formal agreement in respect of such proposed acquisition is entered into or upon the Company notifying the Zhao that the Company has no intention to proceed further with such proposed acquisition.

Employees and Remuneration Policies

As at 30th September 2012, the Group hired 19 and 10 employees in Hong Kong and PRC respectively (2011: a total of 125 including the executive Directors). Total staff costs including Directors’ remuneration for the six months period under review amounting to approximately HK\$5.3 million (2011: HK\$5.2 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 2012, no options had been granted under such share option scheme.

Charges on Group Assets and Contingent Liabilities

As at 30th September 2012, the Group did not have any material charge on assets or any contingent liabilities (2011: Nil).

Future Plans to Material Investments or Capital Assets

As at 30th September 2012, the Group had no plans for material investments or capital assets, save as disclosed in the subsection headed “Material Acquisitions and Significant Investments” above.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September 2012, 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 and underlying shares of the Company

Name of directors	Nature of shares interested	Number of shares interested	Approximate percentage of issued share capital (note 3)
Mr. Chan Yun Sang (note 1)	Beneficial owner	1,000,000	0.17%
Mr. Ip Ho Ming (note 2)	Interest of spouse	10,000	0.002%

Note:

1. Mr. Chan Yun Sang is an executive Director. As at 30th September 2012, Mr. Chan Yun Sang is interested in 200,000 shares of the Company and an option to subscribe up to 800,000 shares of the Company.
2. Mr. Ip Ho Ming is an executive Director.
3. As at 30th September 2012, the issued share capital of the Company is 576,938,145 shares.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at the 30th September 2012, the following persons had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:–

Name of shareholder	Capacity	Number of shares held	percentage of shareholding (note)
Mr. Wong Kwong Chau (note 2)	Beneficial owner	61,500,000	10.66%
Ms. Yu Po San (note 2)	Interest of spouse	61,500,000	10.66%

Notes:

1. As at 30th September 2012, the issued share capital of the Company is 576,938,145 shares.
2. Mr. Wong Kwong Chau is interested in 1,500,000 shares of the Company and a convertible note entitling him to subscribe up to 60,000,000 shares of the Company. Ms. Yu Po San is the spouse of Mr. Wong Kwong Chau and is deemed to be interested in the shares of the Company held by Mr. Wong Kwong Chau.

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 2012 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30th September 2012, 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

For the six months ended 30th September 2012, 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 April 2012	Date of grant	Number of options granted during the period	Vesting period	Number of options exercised during the period	Closing price of the securities immediately before the date on which the options were exercised	Number of options cancelled or lapsed during the period	Number of options outstanding as at 30th September 2012	Exercise price of the option and exercise period	Closing price immediately before the date on which the options were granted
Directors										
Mr. Chan Yun Sang	800,000	5th July 2010	Nil	Nil	Nil	Nil	Nil	800,000	HK\$2.8 (5th July 2010 to 4th July 2015)	HK\$2.8
Others										
Ex-Director	800,000	5th July 2010	Nil	Nil	Nil	Nil	800,000	Nil	HK\$2.8 (5th July 2010 to 4th July 2015)	HK\$2.8
Employee	1,145,000	6th July 2010	Nil	Nil	Nil	Nil	Nil	1,145,000	HK\$2.78 (6th July 2010 to 5th July 2015)	HK\$2.8

Save as disclosed herein, as at 30th September 2012, 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.

The audit committee comprises three independent non-executive directors, namely, Mr. Tang Sze Lok, Mr. Xu Jingbin, Ms Hu Yun and Mr. Tang Sze Lok is the chairman of the audit committee.

The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30th September 2012 and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the six months period ended 30th September 2012, 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted stringent procedures governing Director's securities transaction in compliance with Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are also subject to compliance with guidelines with no less exacting terms than those set out in the GEM Listing Rules. No incidence of non-compliance was noted for the six months ended 30th September 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

According to Code A6.7 of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules ("CG Code"), independent non-executive Directors and non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

In the extraordinary general meeting held on 22nd August 2012, two non-executive Directors (being Dr. Pan Jin and Mr. Dai Yuanxin) and three independent non-executive Directors (being Mr. Tang Sze Lok, Mr. Xu Jingbin and Ms. Hu Yun) did not attend due to prior business engagement. As regards the annual general meeting held on 6th September 2012, two non-executive Directors (being Dr. Pan Jin and Mr. Dai Yuanxin) and two independent non-executive Directors (being Mr. Xu Jingbin and Ms. Hu Yun) did not attend due to prior business engagement.

Save as above, the Company has complied with the code provisions as set out in the CG Code 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

Liu Bo

Chairman and Executive Director

Hong Kong, 12th November 2012

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

Executive Directors:

Mr. Liu Bo (*Chairman*)
Mr. Chan Yun Sang
Mr. Han Fangfa
Ms. Ju Lijun
Ms. Huang MiaoChan
Mr. Ip Ho Ming
Ms. Wong Sau Wai Serena
Mr. Zhang Jinshu

Non-executive Director:

Dr. Pan Jin
Mr. Dai Yuanxin
Ms. Xiao Yongzhen

Independent Non-executive Directors:

Mr. Tang Sze Lok
Mr. Xu Jingbin
Ms. Hu Yun