

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)

**FIRST QUARTERLY REPORT
FOR THE PERIOD ENDED 30 JUNE 2015**

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Tai Shing International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “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 three months ended 30 June 2015 amounted to approximately HK\$4.8 million representing a decrease of approximately 28% over the corresponding period in 2014.
- Profit attributable to the shareholders for the three months ended 30 June 2015 amounted to approximately HK\$14 million (2014 Loss: HK\$2 million).
- Basic earnings per share for the three months ended 30 June 2015 was approximately 1.23 HK cents (2014 Loss per share: 0.18 HK cents).
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2015.
- Proprietary trading business recorded a gross proceeds of HK\$7.8 million (2014: nil) and realised gains of HK\$2.8 million (2014: nil) for the three months ended 30 June 2015.

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2015, together with the unaudited comparative figures for the corresponding period in 2014, are as follows:–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited	
		Three months ended	
		30 June	
		2015	2014
		HK\$'000	<i>HK\$'000</i>
Revenue	4	4,817	6,721
Cost of services		(4,417)	(6,124)
Gross profit		400	597
Net loss on change in fair value of financial assets of fair value through profit or loss	5	(145)	(2)
Other income		1,791	1,078
Selling and distribution expenses		(4)	(27)
Administrative expenses		(4,230)	(1,563)
Other gains, losses and expenses	6	18,986	(440)
Finance costs	7	(2,805)	(1,617)
Profit/(loss) before taxation		13,993	(1,974)
Income tax expenses	8	–	–
Profit/(loss) for the period attributable to owners of the Company	9	13,993	(1,974)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(228)	57
Total comprehensive income/(expense) for the period attributable to owners of the Company		13,765	(1,917)
Earnings/(loss) per share			
– Basic (HK cents)	11	1.23	(0.18)
– Diluted (HK cents)	11	1.15	N/A

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room M2B2, 7/F., Kaiser Estate, Phase 3, No. 11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on GEM.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated financial information for the three months ended 30 June 2015 has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange.

The principal accounting policies applied in preparing the unaudited condensed consolidated financial information for the three months ended 30 June 2015 are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

The amounts included in the unaudited condensed consolidated financial information for the three months ended 30 June 2015 has been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRS.

The accounting policies used in the unaudited condensed consolidated financial information for the three months ended 30 June 2015 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2015.

The unaudited condensed consolidated financial information for the three months ended 30 June 2015 has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

In the current interim period, the Group has applied all the new and revised HKFRS issued by the HKICPA that are effective for the current interim period. The application of the new and revised HKFRS has had no material effect on the amounts reported and/or disclosure in the unaudited condensed consolidated financial information.

4. REVENUE

Revenue represents the amounts arising from systems development, professional services rendered and printing services, net of sales related taxes if any.

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	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
Revenue from provision of		
Systems development	1,876	5,027
Professional services fees	1,397	1,694
Printing services	1,544	—
	<u>4,817</u>	<u>6,721</u>

The Group has also engaged in proprietary trading business in the current period. Gross proceeds from proprietary trading amounted to HK\$7,764,000 (2014: nil) and realised gain amounted to HK\$2,807,000 (2014: nil) (included in the net loss on change in fair value of financial assets at fair value through profit or loss) during the current period.

5. NET LOSS ON CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	UNAUDITED	
	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
Sales proceeds from disposal of trading securities	7,764	–
Cost of trading securities acquired in current period	(4,957)	–
Realised gains	2,807	–
Unrealised losses from investments at fair value through profit or loss	(2,952)	(2)
Net loss on change in fair value of financial assets at fair value through profit or loss	(145)	(2)

6. OTHER GAINS, LOSSES AND EXPENSES

	UNAUDITED	
	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
Impairment loss in respect of		
– trade receivables	–	(1,230)
Gain on disposal in respect of		
– property, plant and equipment	–	655
Reversal of impairment loss in respect of		
– trade receivables	–	88
– other receivables	18,986	47
	18,986	(440)

7. FINANCE COSTS

	UNAUDITED	
	Three months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowing repayable within one year	214	215
Finance cost on finance leases	32	3
Interest on promissory notes	1,140	299
Interest on amount due to noteholder	187	187
Interest on convertible bonds	1,068	913
Others	164	—
	<u>2,805</u>	<u>1,617</u>

8. INCOME TAX EXPENSES

- (a) Hong Kong profit tax has not been provided for in the unaudited condensed consolidated financial information as there was no estimated assessable profit derived from Hong Kong during the three months ended 30 June 2015 and 2014.
- (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%.

9. PROFIT/(LOSS) FOR THE PERIOD

The profit/(loss) for the period is stated after charging:

	UNAUDITED	
	Three months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs		
Salaries and other benefits	1,466	728
Retirement benefits scheme contribution	91	58
	<u>1,557</u>	<u>786</u>
Auditors' remuneration	145	312
Depreciation	251	190
Operating leases	388	10
	<u>3,341</u>	<u>1,306</u>

10. DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 30 June 2015 (2014: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(Loss)

	Three months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
Earnings/(loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the period attributable to owners of the Company)	<u>13,993</u>	<u>(1,974)</u>
Effect of dilutive potential ordinary shares:		
Adjustment in relation to interest on convertible bonds	<u>1,068</u>	
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	<u>15,061</u>	
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>1,136,190,011</u>	<u>1,083,223,857</u>
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>171,428,571</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>1,307,618,583</u>	

During the three months ended 30 June 2014, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the three months ended 30 June 2014.

12. RESERVES

	Share premium HK\$ '000	General reserve HK\$ '000	Capital reserve HK\$ '000	Share option reserve HK\$ '000	Exchange translation reserve HK\$ '000	Warrant reserve HK\$ '000	Accumulated losses HK\$ '000	Total HK\$ '000
At 1 April 2014 (audited)	417,565	3,056	1,200	1,810	5,953	1,147	(531,396)	(100,665)
Loss for the period	-	-	-	-	-	-	(1,974)	(1,974)
Exchange difference arising on translation of foreign operations	-	-	-	-	57	-	-	57
Total comprehensive income/(expense) for the period	-	-	-	-	57	-	(1,974)	(1,917)
At 30 June 2014 (unaudited)	<u>417,565</u>	<u>3,056</u>	<u>1,200</u>	<u>1,810</u>	<u>6,010</u>	<u>1,147</u>	<u>(533,370)</u>	<u>(102,582)</u>
At 1 April 2015 (audited)	417,565	3,056	1,200	-	5,899	1,147	(530,046)	(101,179)
Profit for the period	-	-	-	-	-	-	13,993	13,993
Exchange difference arising on translation of foreign operations	-	-	-	-	(228)	-	-	(228)
Total comprehensive income/(expense) for the period	-	-	-	-	(228)	-	13,993	13,765
Issue of shares upon exercise of warrants	9,181	-	-	-	-	(1,147)	-	8,034
At 30 June 2015 (unaudited)	<u>426,746</u>	<u>3,056</u>	<u>1,200</u>	<u>-</u>	<u>5,671</u>	<u>-</u>	<u>(516,053)</u>	<u>(79,380)</u>

13. LITIGATION

On 4 April 2014, the Company was served with a sealed copy of a petition (the “Petition”) issued by Metal Winner Limited (the “Petitioner”) in Companies (Winding-up) Proceedings No. 83 of 2014 in the High Court of Hong Kong (the “Proceedings”) under which the Petitioner (a) claimed that the Company was indebted to the Petitioner in the sum of HK\$5,700,000; and (b) petitioned that the Company be wound up by the Court.

On 30 March 2015, the Petition was dismissed by the High Court of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue for the three months ended 30 June 2015 amounted to approximately HK\$4.8 million representing a decrease of approximately 28% over the corresponding period in 2014.

FINANCIAL PERFORMANCE

During the three months ended 30 June 2015, the Group recorded a revenue of approximately HK\$4.8 million (2014: HK\$6.7 million) representing a decrease of approximately 28% as compared to that of the corresponding period in 2014. The Group recovered an impairment loss recognised in the past amounted to approximately HK\$19 million which is included in other gains, losses and expenses. Administrative expenses increased by approximately HK\$2.6 million as compared to the previous corresponding period. Profit attributable to the shareholders was approximately HK\$14 million (2014: loss HK\$2.0 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the three months ended 30 June 2015, the Company has made the following issue for cash of equity securities:

- (i) On 1 April 2015, the holders of warrants exercised its rights to subscribe for 57,380,000 shares at HK\$0.19 per share. As a result, the Company received a net proceed of approximately HK\$10.9 million and the issued share capital of the Company was increased to 1,140,603,857 shares.

Subsequent to the three months ended 30 June 2015, the Company has made the following issue for cash of equity securities:

- (ii) On 29 July 2015, a total of 216,644,771 shares have been successfully placed by a placing agent to not less than six places at the placing price of HK\$0.085 per placing share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing, after deducting relevant expenses incurred in relation to the placing, amount to approximately HK\$17.6 million.

The Board continues to look for opportunities to attract more investors, extend the shareholders base, reduce the accumulated loss and improve the flexibility of fund raising by methods such as share consolidation and/or capital reorganization.

FUTURE PROSPECTS

The Group will continue to look for opportunities to create shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. The Group is broadening its perspective beyond the IT sector and potentially also invests into and/or makes acquisitions in other industries (including renewable energy and other "green" businesses, the financial industry, and more traditional non-IT businesses) so long as such investments acquisitions can bring value and are beneficial to the Company and its shareholders as a whole. It goes without saying that the Company will also continue to focus on existing businesses to bring further value to shareholders.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 28 April 2015, the Group has entered into an agreement with an independent third party for the acquisition of 100% of the issued share capital of Wilco Printing Co., Limited ("Wilco") and the director's loan to Wilco at a consideration of HK\$1,537,029. Please refer to the announcement of the Company dated 28 April 2015 for further details of the acquisition. Wilco is principally engaged in the provision of printing services and solutions on advertisement, brochures and bound books to customers mainly in Hong Kong. After the acquisition, printing services has become one of the principal businesses of the Group. Pursuant to the adjustment clause in the agreement, there was an upward adjustment to the consideration in a sum of HK\$132,099. The Group recorded a gain of HK\$781,650 arising from discount on acquisition of Wilco which is included in other income.

Save as disclosed above, the Company has not completed any material acquisitions or disposal during the period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2015, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Long positions in underlying shares of equity derivatives and debentures of the Company

As at 30 June 2015, no long positions of directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in shares, underlying shares of equity derivatives and debentures of the Company

During the period under review, no short positions of the Directors and chief executive in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2015, the person (other than a director or chief executive of the Company) who have interests or short position in the shares or 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 5% 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 the shareholder	Capacity	Number of shares held	Approximate percentage of shareholding (note 1)
Mr. Li Ming Ren	Beneficial owner	114,285,715 (note 2)	10.02%

Note:

1. As at 30 June 2015, the issued share capital of the Company was 1,140,603,857 shares.
2. These represent the shares that may be issued upon the exercise of convertible bonds.

Long positions in underlying shares of the Company

As at 30 June 2015, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Short positions in shares of the Company

As at 30 June 2015, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

Short positions in underlying shares of the Company

As at 30 June 2015, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

As at 30 June 2015, the Directors were not aware of any person who had an interest or short position in the underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 of the Group had a material interest, whether directly or indirectly, subsisted at the three months ended 30 June 2015 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As at 30 June 2015, none of the Directors, substantial shareholders 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and the Corporate Governance Code (the "Code").

The audit committee of the Company reviews the internal accounting procedures, considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, fees to be paid to the independent auditors and the performance of the independent auditors.

The unaudited condensed consolidated financial information of the Group for the three month ended 30 June 2015 have been reviewed by the audit committee of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Code contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the period.

OTHER MATTERS

1. Wanquan – Wang Yu Sha (王雨莎)

On 9 September 2013, a deed of settlement was entered into between the Company and the trustee 王雨莎 (“Wang Yu Sha”) of the 20% equity interests in Shanghai Wanquan Insurance Brokers Limited (“Wanquan” or “上海萬全保險經紀有限公司”) (currently known as 上海君翊保險經紀有限公司 or Shanghai Junyi Insurance Brokers Limited) which was acquired by the Group in March 2011, in which such equity interests were transferred to an independent third party on 14 August 2012 without the consent and approval of the Company. Pursuant to the said deed of settlement, the said trustee agreed to pay a settlement fee in the sum of HK\$30 million to the Company in four equal instalments in cash on a quarterly basis from on or before 9 December 2013 onwards. Please refer to the announcement of the Company dated 9 September 2013 for further details of the deed of settlement. The trustee has already paid HK\$3 million out of the first instalment of HK\$7.5 million due on 9 December 2013. The Company has demanded the trustee to pay up the outstanding overdue sum and to put up collateral for the balance of the settlement sum.

In view of the fact that only HK\$3 million out of the HK\$30 million settlement fee has been paid, and the remaining has become overdue, the Directors have serious concerns over the recoverability of the settlement fees. The investment in Wanquan had been impaired in full for the year ended 31 March 2013.

On 3 February 2015, a judgment of High Court Action No.1398/2014 was issued, pursuant to which the trustee is obliged to pay the outstanding settlement fee of HK\$19,500,000 (representing the outstanding balance of the first three instalments) together with interests thereon.

The Company has commenced legal proceedings in the High Court of Hong Kong against the trustee to recover the outstanding amount. Judgment for a sum of HK\$19.5 million (being the outstanding balance of the first three instalments) has been obtained against the trustee. The overall strategy of the Company is to take all reasonable and economical measures to recover the judgment debt and the remaining balance of the settlement fees in full. The Company has conducted some investigation on whether the trustee has any assets in Hong Kong for purpose of enforcement of the judgment. However, up to date, the Company could not find any assets held by the trustee in Hong Kong. Since the trustee is a mainland citizen, the Company is obtaining legal advice from PRC lawyers to see whether it is possible and practicable to take legal action in the PRC. The Company will keep shareholders informed promptly on the progress in recovering such judgment debt and outstanding settlement fees.

2. 2012 Convertible Notes

On 3 May 2012, the Company issued Hong Kong dollar denominated convertible notes with principal amount of HK\$15,000,000 (“**2012 Convertible Notes**”) to a third party with maturity date on 2 August 2013. On 30 July 2015, a settlement agreement between the Company and Convertible Noteholder was executed. Pursuant to the settlement agreement, the Company will repay HK\$17.651 million (the “**Settlement Amount**”) to the Noteholder with the following payment schedule: (i) HK\$5.917 million shall be paid to the Noteholder on the day of signing the settlement agreement,

being the first installment of the Settlement Amount; (ii) HK\$5.867 million shall be paid to the Noteholder on or before 30 September 2015, being the second installment of the Settlement Amount; (iii) HK\$5.867 million shall be paid to the Noteholder on or before 30 November 2015, being the final installment of the Settlement Amount. As at the date of this report, the Company has paid HK\$5.917 million to the Noteholder according to the payment schedule and there is no overdue balance according to the settlement agreement.

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

During the three 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
Tai Shing International (Holdings) Limited
Zhang He
Executive Director

Hong Kong, 14 August 2015

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Dr. Chew Chee Wah (*Chairman*)
Mr. Tam Kwok Leung (*Chief Executive Officer*)
Ms. Ju Lijun
Mr. Zhang Jinshu
Mr. Luk Chi Shing
Ms. Zhang He
Mr. Lee Yiu Tung

Non-executive Directors:

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

Independent non-executive Directors:

Mr. Chan Yee Sze
Ms. Hu Yun
Mr. Koh Kwing Chang
Mr. Lui Wai Ming
Mr. Lai Chi Leung

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at <http://www.equitynet.com.hk/8103/>.