

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 ANNOUNCEMENT FOR THE PERIOD ENDED 30TH JUNE 2012

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

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*This announcement, 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 announcement 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 announcement misleading.*

* For identification purpose only

HIGHLIGHTS

- Revenue for the three months ended 30th June 2012 amounted to approximately HK\$15.9 million representing a decrease of approximately 39% as compared to the corresponding period in 2011.
- Loss attributable to the shareholders for the three months ended 30th June 2012 amounted to approximately HK\$1.5 million (2011: loss of HK\$1.3 million).
- Loss per share for the three months ended 30th June 2012 was approximately 0.48 HK cents (2011: loss per share of 0.54 HK cents).
- The Board does not recommend the payment of any dividend for the three months ended 30th June 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 ended 30th June 2012, together with the unaudited comparative figures for the corresponding period in 2011, as follows:–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended	
		30th June	
		2012	2011
		HK\$'000	<i>HK\$'000</i>
Revenue	4	15,909	26,172
Cost of services		(8,522)	(21,453)
		<hr/>	<hr/>
Gross profit		7,387	4,719
Other income		861	1,146
Selling and distribution expenses		(255)	(512)
Administrative expenses		(9,254)	(6,290)
Other expenses	5	(10)	–
Finance costs	6	(257)	(268)
		<hr/>	<hr/>
Loss before taxation		(1,528)	(1,205)
Income tax expenses	7	–	(95)
		<hr/>	<hr/>
Loss for the period	8	(1,528)	(1,300)
Other comprehensive income/(expense) for the period Exchange difference arising on translation		(72)	115
		<hr/>	<hr/>
Total comprehensive expenses for the period		(1,600)	(1,185)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share – basic (HK cents)	10	(0.48)	(0.54)
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

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 21/F, Malahon Centre, 10-12 Stanley Street, Central, Hong Kong. The Company's shares are listed on GEM.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Group's unaudited consolidated results 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.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 30th June 2012 and 2011 are consistent with those following the preparation of the Group's annual financial statements for the year ended 31st March 2012. The consolidated results are unaudited but have been reviewed by the Company's audit committee.

3. ADOPTION OF NEW AND REVISED HKFRSS

During the three months ended 30th June 2012, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1st January 2012. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period or prior accounting periods.

4. 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	
	30th June	
	2012	2011
	HK\$'000	HK\$'000
Systems development	9,359	26,115
Professional services fees	417	57
Software licensing	6,133	—
	<hr/>	<hr/>
	15,909	26,172
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER EXPENSES

	UNAUDITED	
	Three months ended	
	30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on change in fair value of financial assets at fair value through profit or loss	<u>10</u>	<u>–</u>

6. FINANCE COSTS

	UNAUDITED	
	Three months ended	
	30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
bank loans wholly repayable within one year	229	211
finance lease	<u>28</u>	<u>57</u>
	<u>257</u>	<u>268</u>

7. INCOME TAX EXPENSES

	UNAUDITED	
	Three months ended	
	30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC enterprise		
income tax	<u>–</u>	<u>95</u>

- (i) 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 three months ended 30th June 2012 and 2011.
- (ii) Under the Law of the People's Republic of China ("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, a subsidiary of the Group, established in the PRC, was qualified as an advanced technology enterprise and was subject to a preferential Enterprise Income Tax rate of 15% (2011: 15%) which was effective from 1st January 2008 to 31st December 2010. The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% starting from 1st January 2011.

8. LOSS FOR THE PERIOD

Loss for the period is stated after charging:

	UNAUDITED	
	Three months ended	
	30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	125	113
Depreciation	548	565
Operating leases	49	469
Staff costs	2,922	2,890
	<u> </u>	<u> </u>

9. DIVIDEND

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

10. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30th June 2012 were based on the loss attributable to the shareholders of approximately of HK\$1,528,000 (2011: loss of HK\$1,300,000) divided by the weighted average number of 316,938,000 shares for the three months ended (2011: 238,875,000 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 three months ended 30th June 2012 and 2011 which is regarded as anti-dilutive.

11. RESERVES

	Unaudited										
	Share premium HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Unlisted Warrants HK\$'000	Convertible Notes HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-Controlling Interest HK\$'000	Total HK\$'000
At 1st April 2011	256,251	3,066	1,200	13,515	-	-	4,275	(52,771)	225,536	-	225,536
Total comprehensive income/(expenses) for the period, net of tax	-	-	-	-	-	-	115	(1,300)	(1,185)	-	(1,185)
Issue of shares upon											
- placement of shares	61,386	-	-	-	-	-	-	-	61,386	-	61,386
- transaction cost attributable to placement of shares	(1,913)	-	-	-	-	-	-	-	(1,913)	-	(1,913)
Transfer from general reserve	-	(9)	-	-	-	-	-	9	-	-	-
At 30th June 2011	<u>315,724</u>	<u>3,057</u>	<u>1,200</u>	<u>13,515</u>	<u>-</u>	<u>-</u>	<u>4,390</u>	<u>(54,062)</u>	<u>283,824</u>	<u>-</u>	<u>283,824</u>
At 1st April 2012	356,466	3,057	1,200	12,269	-	-	5,103	(74,305)	303,790	2,683	306,473
Total comprehensive expenses for the period, net of tax	-	-	-	-	-	-	(72)	(1,528)	(1,600)	(15)	(1,615)
Unlisted warrants issue expenses	(150)	-	-	-	1,148	-	-	-	998	-	998
Convertible notes issue expenses	(289)	-	-	-	-	15,000	-	-	14,711	-	14,711
At 30th June 2012	<u>356,027</u>	<u>3,057</u>	<u>1,200</u>	<u>12,269</u>	<u>1,148</u>	<u>15,000</u>	<u>5,031</u>	<u>(75,833)</u>	<u>317,899</u>	<u>2,668</u>	<u>320,567</u>

12. 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 the end of 2008. The Directors believe that the Company has a strong defence in this action and therefore, no provision for liabilities has been made on the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue for the three months ended 30th June 2012 amounted to approximately HK\$15.9 million representing a decrease of approximately 39% as compared to the corresponding period in 2011. Notwithstanding the increase in revenue from professional services fees from less than HK\$0.1 million to approximately HK\$0.42 million due to our continuous work on a large project awarded in 2011 and the revenue of software licensing of approximately HK\$6.1 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\$26.1 million to approximately HK\$9.4 million resulted from the declining demand caused by recent global economic downturn.

FINANCIAL PERFORMANCE

During the three months ended 30th June 2012, the Group recorded a revenue of HK\$15.9 million (2011: HK\$26 million) representing a decrease of approximately 39% as compared to that of the corresponding period in 2011. Administrative expenses increased to approximately HK\$9.3 million as compared to approximately HK\$6.3 million of the previous corresponding period, representing an increase of approximately 48% mainly because of the net result of (i) the increase in amortization on intangible asset of HK\$4.9 million for (a) InsureLink System of Fullmark Management Limited, (b) technical know-how of Joint Bridge Investments Limited and (c) the license of 上海景福保險經紀有限公司 (formerly know as “青島博達保險經紀有限公司”); (ii) the decrease in marketing and promotion expenses of HK\$1 million resulted from the reducing activities on the promotion of InsureLink System; and (iii) the decrease in HK\$0.5 million for legal and professional fee in relation to acquisition activities. Loss attributable to the shareholders was approximately HK\$1.5 million (2011: loss HK\$1.3 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 the security and surveillance division, the Company has been exploring business opportunities to expand the Groups' operations and enhance its earnings.

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 circular dated 8 February 2012, such proceeds were/are to be used as general working capital of the Group; and

- (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 19 April 2012, such proceeds were/are to be used as general working capital of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June 2012, the relevant interests or short positions of the Directors and chief executive of the Company 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 Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Capacity	Number of shares interested	Approximate percentage of issued share capital (note 3)
Chan Yun Sang (note 1)	Beneficial owner	1,000,000	0.32%
Ip Ho Ming (note 2)	Interest of spouse	10,000	0.003%

Note:

1. Mr. Chan Yun Sang is an executive Director. As at 30th June 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 June 2012, the issued share capital of the Company is 316,938,145 shares.

Save as disclosed above, as at 30th June 2012, 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 30th June 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:—

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of shares interested	Approximate percentage of shareholding (note 1)
Wong Kwong Chau	Beneficial owner (note 2)	61,500,000	19.40%
Chiu Wai Shing	Beneficial owner	35,544,000	11.21%
Gui Zuhai	Beneficial owner	19,970,000	6.30%
Resuccess Investments Limited	Beneficial owner (note 3)	15,890,000	5.01%
Tsinghua Tongfang Co. Limited	Interest of controlled corporation (note 3)	15,890,000	5.01%

Notes:

1. As at 30th June 2012, the issued share capital of the Company is 316,938,145 shares.
2. 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.
3. Resuccess Investments Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Tsinghua Tongfang Co. Limited. Accordingly, Tsinghua Tongfang Co. Limited is interested or deemed to be interested in the 15,890,000 shares held by Resuccess Investments Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at 30th June 2012, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares 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 30th June 2012 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30th June 2012, 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 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 three months ended 30th June 2012 and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the three months period ended 30th June 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the 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
Chan Yun Sang
Chairman and Executive Director

Hong Kong, 13th August 2012

* *for identification purpose only*

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

Executive Directors:

Mr. Chan Yun Sang (*Chairman*)

Mr. Han Fangfa

Ms. Ju Lijun

Mr. Liu Bo

Ms. Huang MiaoChan

Mr. Ip Ho Ming

Ms. Wong Sau Wai Serena

Non-executive Directors:

Dr. Pan Jin

Mr. Dai Yuanxin

Independent non-executive Directors:

Mr. Tang Sze Lok

Mr. Xu Jingbin

Ms. Hu Yun

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