

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)

FIRST QUARTERLY RESULT ANNOUNCEMENT FOR THE PERIOD ENDED 30TH JUNE 2011

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 document misleading.

* For identification purpose only

HIGHLIGHTS

- Turnover for the three months ended 30th June 2011 amounted to approximately HK\$26 million representing an increase of approximately 333% over the corresponding period in 2010.
- Loss attributable to the shareholders for the three months ended 30th June 2011 amounted to approximately HK\$1.3 million (2010: loss of HK\$11.1 million).
- Loss per share for the three months ended 30th June 2011 was approximately 0.06 HK cents (2010: loss per share 0.85 HK cents).
- The Board does not recommend the payment of any dividend for the three months ended 30th June 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 ended 30th June 2011, together with the unaudited comparative figures for the corresponding period in 2010, are as follows:—

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended	
		30th June	
		2011	2010
		HK\$'000	HK\$'000
Turnover	4	26,172	6,039
Cost of services		(21,453)	(4,978)
Gross profit		4,719	1,061
Other income		1,146	1,561
Selling and distribution expenses		(512)	(1,252)
Administrative expenses		(6,290)	(12,148)
Other expenses	5	—	(144)
Finance costs	6	(268)	(214)
Loss before taxation		(1,205)	(11,136)
Income tax expenses	7	(95)	(57)
Loss for the period	8	(1,300)	(11,193)
Other comprehensive income/(expense) for the period			
Exchange difference arising on translation		115	(1,266)
Total comprehensive expenses for the period		(1,185)	(12,459)
Loss per share-basic (HK cents)	10	(0.06)	(0.85)

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 Room 1504, The Center, 99 Queen's Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 2011 and 2010 are consistent with those following the preparation of the Group's annual financial statements for the year ended 31st March 2011. 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 2011, 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 2011. 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. Turnover

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

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

	UNAUDITED	
	Three months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
Systems development	26,115	5,984
Professional services fees	57	55
	<u>26,172</u>	<u>6,039</u>

5. Other expenses

	UNAUDITED	
	Three months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss	<u>—</u>	<u>144</u>

6. Finance costs

	UNAUDITED	
	Three months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
Interest on		
Bank loans wholly repayable within one year	<u>211</u>	<u>172</u>
Finance lease	<u>57</u>	<u>42</u>
	<u>268</u>	<u>214</u>

7. Income tax

	UNAUDITED	
	Three months ended	
	30th June	
	2011	2010
	HK\$'000	HK\$'000
PRC enterprise income tax	<u>95</u>	<u>57</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 2011 and 2010.
- (ii) 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 is 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 would be 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	
	2011	2010
	HK\$'000	HK\$'000
Auditors' remuneration	113	160
Depreciation	565	437
Operating leases	469	562
Staff costs	2,890	3,624
Net exchange loss	—	1,921
	<u> </u>	<u> </u>

9. Dividend

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

10. Loss per share

The calculation of basic loss per share for the three months ended 30th June 2011 were based on the loss attributable to the shareholders of approximately of HK\$1,300,000 (2010: loss of HK\$11,193,000) divided by the weighted average number of 2,388,748,000 shares for the three months ended (2010: 1,330,467,000 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 2011 and 2010 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	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April 2010	45,970	2,439	1,200	—	4,131	(4,594)	49,146
Total comprehensive expenses for the period, net of tax	—	—	—	—	(1,266)	(11,193)	(12,459)
Issue of shares upon							
— placement of shares	42,400	—	—	—	—	—	42,400
— transaction cost attributable to placement of shares	(1,917)	—	—	—	—	—	(1,917)
At 30th June 2010	<u>86,453</u>	<u>2,439</u>	<u>1,200</u>	<u>—</u>	<u>2,865</u>	<u>(15,787)</u>	<u>77,170</u>
At 1st April 2011	256,251	3,066	1,200	13,515	4,275	(52,771)	225,536
Total comprehensive income/(expenses) for the period, net of tax	—	—	—	—	115	(1,300)	(1,185)
Issue of shares upon							
— placement of shares	61,386	—	—	—	—	—	61,386
— transaction cost attributable to placement of shares	(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>4,390</u>	<u>(54,062)</u>	<u>283,824</u>

12. 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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Benefited from the turnover contribution from the newly acquired Fullmark Management Limited and the improved operation of the Group's research, development and provision of integrated management information system division, the Group's turnover for the three months ended 30th June 2011 amounted to approximately HK\$26 million representing an increase of approximately 333% over the corresponding period in 2010.

FINANCIAL PERFORMANCE

During the three months ended 30th June 2011, the Group recorded a turnover of approximately HK\$26 million (2010: HK\$6 million) representing an increase of approximately 333% as compared to that of the corresponding period in 2010. Such increase was mainly due to (i) the contribution of approximately HK\$7.2 million from the InsureLink System of the newly acquired Fullmark Management Limited and (ii) the improved operation of the Group's research, development and provision of integrated management information system division. During the corresponding period in 2010, legal and professional fee of approximately HK\$6.7 million (which was included in the administrative expenses) had been incurred for acquisition purpose. Such type of expenses is not recurrent in nature and it decreased by approximately HK\$6 million during the period under review. As a result, administrative expenses decreased to approximately HK\$6.3 million as compared to HK\$12.1 million of the previous corresponding period, representing a decrease of approximately 48%. Due to the factors above, loss attributable to the shareholders was reduced to approximately HK\$1.3 million (2010: loss of HK\$11.1 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, the Company has entered into the following agreements for acquisitions:

1. 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 announcements of the Company dated 20th April 2011 and 17th May 2011.

2. 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.

Subsequently the Company has 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/recordation and that there would be no legal obstacle in obtaining such approval. As such, on 15th July 2011, to satisfy part of the consideration payable to the vendor, the Company has issued an aggregate of 49,196,909 consideration shares to the vendor.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June 2011, 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 of the Company

Name of Director	Nature of shares interested	Number of shares interested	Approximate percentage of issued share capital (note 3)
Mr. Wong Chung Wai, Eric (<i>note 1</i>)	Beneficial owner	10,000,000	0.39%
Mr. Chan Yun Sang (<i>note 2</i>)	Beneficial owner	10,000,000	0.39%

Note:

1. Mr. Wong Chung Wai, Eric is an executive Director. As at 30th June 2011, Mr. Wong Chung Wai, Eric is interested in 2,000,000 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 June 2011, Mr. Chan Yun Sang is interested in 2,000,000 shares of the Company and an option to subscribe up to 8,000,000 shares of the Company.
3. As at 30th June 2011, the issued share capital of the Company is 2,591,984,547 shares.

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

As at 30th June 2011, 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 30th June 2011, 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 of the Company, as at 30th June 2011, the following persons who had an interest or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:—

Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding (note 2)
Galaxy Asset Management (H.K.) Ltd	Investment manager	238,670,000	9.21%
Mr. Kang Zhaohao	Beneficial owner	166,660,000	6.42%
Resuccess Investments Limited (note 1)	Beneficial owner	158,900,000	6.13%
Tsinghua Tongfang Co. Ltd (note 1)	Interest in controlled corporation	158,900,000	6.13%
Ms. Wang Yusha	Beneficial owner	157,537,140	6.08%

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 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 June 2011, the issued share capital of the Company is 2,591,984,547 shares.

Long positions in underlying shares of the Company

As at 30th June 2011, 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 30th June 2011, 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 30th June 2011, 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.

Save as disclosed above, as at 30th June 2011, the Directors were not aware of any other person who had an interest or short position in the shares or 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 30th June 2011 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 30th June 2011, none of the Directors or controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

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. Lee Kwok Yung and Mr. Chan Wai Kwong, Peter, 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 2011 and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

For the three months period ended 30th June 2011, 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
Wong Chung Wai, Eric
Chairman and Executive Director

Hong Kong, 12th August 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

Non-executive Director:

Dr. Pan Jin

Independent non-executive Directors:

Mr. Yan Yonghong
Mr. Tang Sze Lok
Mr. Lee Kwok Yung
Mr. Chan Wai Kwong, Peter

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