TRANSAX INTERNATIONAL LTD
Form 10-Q
August 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 30, 2012

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _______

Commission File No. 0-27845

TRANSAX INTERNATIONAL LIMITED
(Name of registrant as specified in its charter)

Colorado	90-0287423
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

South Part 1-101, Nanshe Area, Pengnan Industrial Park on North Yingbinbei Road	
in Waisha Town of Longhu District in Shantou, Guangdong, China	515023
(Address of principal executive offices)	(Zip Code)

(86)-754-8323888
(Registrant's telephone number, including area code)

not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filed, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date: 96,078,960 shares of common stock are issued and outstanding as of August 13, 2012.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
FORM 10-Q
March 31, 2012

TABLE OF CONTENTS

We used in this report, the terms “Transax," "we," "our," and "us" or the “Company” refers to Transax International Limited, a Colorado corporation and its wholly-owned subsidiaries Big Tree International Co., Ltd., a Brunei company, ("BT Brunei") and Shantou Big Tree Toys Co., Ltd., a Chinese company (“BT Shantou”).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe, “expect," “anticipate," “estimate," “intend," “plan," “targets," “likely," “aim," “will," “would," “could," and similar expressions phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- Factors affecting consumer preferences and customer acceptance of new products;
- Competition in the toy industry;
- Loss of one or more key customers;
- Dependence on third-party contract manufacturers;
- Dependence on certain key personnel;
- Inability to manage our business expansion;
- Infringement by third parties on our intellectual property rights;
- Our inadvertent infringement of third-party intellectual property rights;
- PRC government fiscal policy that affect real estate development and consumer demand;
- Availability of skilled and unskilled labor and increasing labor costs;
- Lack of insurance coverage and the impact of any loss resulting from product liability or third party liability claims or casualty losses;
- Violation of Foreign Corrupt Practices Act or China anti-corruption laws;
- Economic, legal restrictions and business conditions in China;
- Dilution attributable to our convertible preferred stock;
- Impact of proposed one for 700 reverse stock split of our outstanding common stock;
- Limited public market for our common stock; and
- Potential conflicts of interest between our controlling shareholders and our shareholders.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2011 and our other filings with the Securities and Exchange Commission. Other sections of this report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF BALANCE SHEETS

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash	$ 653,988	$ 246,720
Accounts receivable (net of allowance of $26,760 and $26,578, respectively)	4,831,841	2,987,379
Advance to suppliers and prepaid expenses	270,072	80,978
Inventories	1,414,189	699
Due from related parties	-	66,597
Other receivable	410,171	266,318
Total Current Assets	7,580,261	3,648,691
NON-CURRENT ASSETS		
Fixed assets, net	222,165	131,812
Intangible assets, net	12,115	13,558
Total Assets	$ 7,814,541	$ 3,794,061
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 2,185,711	$ 935,666
Advance from customers	618,982	941,750
Salaries payable	53,727	23,330
Taxes payable	4,066	2,123
Due to related parties	2,183,093	138,814
Other payable	145,107	-
Total Current Liabilities	5,190,686	2,041,683
Total Liabilities	5,190,686	2,041,683
SHAREHOLDERS' EQUITY:		
Series B convertible preferred stock (5,000,000 shares authorized, 3,362,760 and 0 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively)	-	-
Series C convertible preferred stock (6,500,000 shares authorized, 6,500,000 and 0 shares issued	-	-

and outstanding at June 30, 2012 and December 31, 2011, respectively)				
Common stock ($0.00001 par value; 100,000,000 shares authorized; 96,078,960 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively)		961		961
Additional paid-in capital		691,748		691,748
Retained earnings		1,819,205		1,072,327
Accumulated other comprehensive income (loss)		111,941		(12,658)
Total Shareholders' Equity		2,623,855		1,752,378
Total Liabilities and Shareholders' Equity	$	7,814,541	$	3,794,061

See notes to unaudited consolidated financial statements

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues	$ 9,940,295	$ 1,652,229	$ 15,723,556	$ 2,216,296
Cost of revenues	9,124,218	972,961	14,396,487	1,479,901
Gross profit	816,077	679,268	1,327,069	736,395
Operating expenses:				
Selling expenses	140,804	26,170	258,263	45,929
General and administrative	173,937	34,953	353,405	52,430
Total operating expenses	314,741	61,123	611,668	98,359
Operating income	501,336	618,145	715,401	638,036
Other income (expenses):				
Other income	17,499	16,728	31,688	15,703
Interest (expenses) income	(345)	88	(211)	120
Total other income	17,154	16,816	31,477	15,823
Net Income before income taxes	518,490	634,961	746,878	653,859
Income taxes	-	6,815	-	10,627
Net Income	$ 518,490	$ 628,146	$ 746,878	$ 643,232
Comprehensive Income:				
Net Income	$ 518,490	$ 628,146	$ 746,878	$ 643,232
Foreign currency translation gain	809	10,885	124,599	3,355
Comprehensive income	$ 519,299	$ 639,031	$ 871,477	$ 646,587
Basic and diluted income per common share		-		-
Basic	$ 0.01	-	$ 0.01	-
Diluted	0.01		0.01	
Basic weighted average common shares outstanding	96,078,960	-	96,078,960	-
Diluted weighted average common shares outstanding	96,078,960	-	96,078,960	-

The accompanying notes are an integral part of these unaudited financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2012 Unaudited	Six Months Ended June 30, 2011 Unaudited
OPERATING ACTIVITIES:		
Net income	$ 746,878	$ 643,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	23,022	3,429
Changes in current assets and liabilities:		
Accounts receivable	(1,825,705)	(3,218,870)
Advance to suppliers	44,791	152,182
Prepaid expenses and other current assets	(375,678)	(82,841)
Inventories	(1,414,875)	98,297
Accounts payable and accrued expenses	1,280,769	89,898
Due to related party	1,617,578	1,707,893
Due from related party	67,121	-
Other payables	139,568	-
Taxes payable	1,931	21,884
Advance from customers	(329,571)	457,876
NET CASH USED IN OPERATING ACTIVITIES	(24,171)	(127,020)
INVESTING ACTIVITIES:		
Proceeds from disposition of property, plant and equipment	-	263,745
Purchase of property, plant and equipment	(111,041)	-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(111,041)	263,745
FINANCING ACTIVITIES:		
Increase in due to related party	518,497	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	518,497	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	23,983	2,300
NET INCREASE IN CASH	407,268	139,025
CASH - beginning of period	246,720	44,377
CASH - end of period	$ 653,988	$ 183,402
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for taxes	$ 11,334	$ 6,251

The accompanying notes are an integral part of these unaudited consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

NOTE 1 – ORGANIZATION AND OPERATIONS

Transax International Limited ("we", "us", "our," or the "Company") was incorporated in the State of Colorado in 1987. Prior to December 2011, the Company, through its subsidiary, Medlink Conectividade em Saude Ltda ("Medlink Conectividade") was an international provider of information network solutions specifically designed for healthcare providers and health insurance companies. On March 26, 2008, the Company executed a stock purchase and option agreement with Engetech, Inc., a Turks & Caicos corporation (controlled and owned 20% by Americo de Castro, director and President of Medlink Conectividade, and 80% by Flavio Gonzalez Duarte or assignees. In accordance with the terms and provisions of the agreement, the Company sold to the buyer 45% of the total issued and outstanding stock of its wholly-owned subsidiary, Transax Limited, which owned 100% of the total issued and outstanding shares of: (i) Medlink Conectividade, and (ii) Medlink Technologies, Inc., ("MTI") a Mauritius corporation. However, the buyer defaulted on payments and on November 24, 2010, pursuant to an agreement, the buyer returned the 45 shares of Transax Limited held in escrow and forfeited its initial deposit of $937,700 in full and complete satisfaction of any amounts due to the Company.

On April 4, 2011, pursuant to a Quota Purchase and Sale Agreement amongst Transax Limited, QC Holding I Participacoes S.A., a corporation organized under the laws of Brazil ("QC Holding"), and Medlink Conectividade, the Company sold 100% of its interest in Medlink Conectividade to QC Holding.

On December 30, 2011, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Big Tree International Co., Ltd., a Brunei company ("BT Brunei") and its shareholder Lins (HK) International Trading Limited ("BT Hong Kong"). Under the Share Exchange Agreement, we exchanged 6,500,000 shares of our Series C Convertible Preferred Stock (the "Series C Preferred Stock") to acquire 100% of the issued and outstanding shares of BT Brunei from its sole shareholder BT Hong Kong. Each share of the Series C Preferred Stock is convertible into one share of our common stock after giving effect to a pending 1 for 700 reverse stock split (the "Reverse Stock Split") and will represent approximately 65% of the issued and outstanding shares of our common stock, and is hereinafter referred to as the "Exchange". On December 30, 2011, BT Hong Kong became a shareholder of the Company. The Share Exchange Agreement was approved by our Board of Directors on December 30, 2011 and no approval of our shareholders was necessary under Colorado law. The transaction will be accounted for as a reverse merger and recapitalization of BT Brunei whereby BT Brunei is considered the acquirer for accounting purposes and the 6,500,000 shares of our Series C Preferred Stock were accounted for as paid in capital of our company. As a result of the consummation of the Share Exchange, BT Brunei and its subsidiary, Shantou Big Tree Toys Co., Ltd., a Chinese company ("BT Shantou"), are now our wholly-owned subsidiaries.

After the acquisition of BT Brunei, we are in the business of toys sourcing, distribution and contractual manufacturing targeting international and domestic distributors and customers in the toys industry. Our main business focus is to function as a "one stop shop" for the sourcing, distribution and specialty manufacturing of toys and related products. The Company conducts these operations through both BT Brunei and our BT Shantou subsidiary. We are located in Shantou City of Guangdong province, the geographical region well-known for toys manufacturing and exporting in China. We are not a manufacturer. We provide procurement services for international toy distributors and wholesalers, including identifying, evaluating, and engaging one or more local manufacturers, trading companies or distributors for the requested supply of toys, as well as original equipment manufacturing ("OEM") services. The OEM services include engaging toy manufacturers directly or through other toy trading companies or distributors to either manufacture toys to specific specifications requested by our customers, or customize an existing toy product to meet our customer's request such as through changes in mechanical functionality, appearance, physical dimension, and materials. For the first six months of 2012, our OEM services generated about 37.2% of our total sales and procurement services accounted for approximately 62.8% of our total sales. We sources a wide variety of 800,000 toys made of plastic, wood, metal, wool, and electronic materials, primarily targeting children from infants to teenagers. We enable our customers to view these toys either through our website or at our extensive toy showroom of approximately 21,528 square feet located in Shantou, China. Customers can easily contact our online representatives for inquiry and place orders, or visit the toy showroom and choose from the displayed toy samples provided by our manufacturing partners.

In 2009, BT Shantou developed a proprietary construction toy consisting of plastic pieces that can plug-in together to make a wide variety of objects, and which we refer to as the Big Tree Magic Puzzle (3D). We registered the patents for its utility model and appearance design in Hong Kong and mainland China during 2010 and 2011. On June 1, 2010, BT Shantou entered into a 10-year contract manufacturing agreement with a local toy manufacturer Shantou Xinzhongyang Toy Industrial Co., Ltd. (“Xinzhongyang”) to produce this proprietary toy under the name of Big Tree Educational Magic Puzzle (the “Big Tree Magic Puzzle”).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements and related notes were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The accompanying financial statements as of and for the six months ended June 30, 2012 and 2011, reflect the consolidated financial position and result of operations of BT Brunei and BT Shantou, as BT Shantou became the wholly-owned subsidiary of BT Brunei in 2011.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

Foreign Currency Translation

Our functional currency is the Chinese Renminbi ("RMB"). In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Section 830-20-35, the financial statements were translated into United States dollars using balance sheet date rates of exchange for assets and liabilities, and average rates of exchange for the period for the income statements. Net gains and losses resulting from foreign exchange transactions were included in the consolidated statements of operations and comprehensive income. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in other comprehensive income or loss.

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the People's Bank of China (the "PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC, which are determined largely by supply and demand. Translation of amounts from RMB into United States dollars ("$") was made at the following exchange rates for the respective periods:

As of June 30, 2012	RMB 6.3089 to $1.00
As of December 31, 2011	RMB 6.3523 to $1.00
Three months ended June 30, 2012	RMB 6.3078 to $1.00
Three months ended June 30, 2011	RMB 6.4924 to $1.00
Six months ended June 30, 2012	RMB 6.3027 to $1.00
Six months ended June 30, 2011	RMB 6.5316 to $1.00

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated useful lives of property and equipment. Actual results could differ from those estimates.

Cash and equivalents

We consider all highly liquid investments with maturities of three months or less to be cash and equivalents.

Accounts receivable

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects our best estimate of the amount of probable credit losses in our existing accounts receivable. We determined the allowance based on historical write-off experience, customer specific facts and economic conditions. Bad debt expense is included in general and administrative expense, if any.

Outstanding account balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory

We value inventories, consisting of finished goods only, at the lower of cost or market value. Cost is determined on the first in-first out method. We regularly review our inventories on hand and, when necessary, record a provision for excess or obsolete inventories based primarily on the current selling price. As of June 30, 2012 and December 31, 2011, there were no charges for inventory reserve provision.

Advance to suppliers and prepaid expenses

Advance to suppliers and other prepaid expenses consist of (i) advance to suppliers for merchandise that had not yet been shipped, and (ii) prepaid advertising expenses.

Property, Plant and equipment

Property, plant and equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is computed by the straight-line method (after taking into account their respective estimated residual values) over the assets estimated useful lives. Upon sale or retirement of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. Leasehold improvements, if any, are amortized on a straight-line basis over the lease period or the estimated useful life, whichever is shorter. Upon becoming fully amortized, the related cost and accumulated amortization are removed from the accounts.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

Impairment of long-lived assets

In accordance with ASC 360, “Property, Plant and Equipment”, our long-lived assets, which include property, equipment and automobiles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

We assess the recoverability of our long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset’s expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives. We determined there were no impairments of long-lived assets as of June 30, 2012 and December 31, 2011.

Advance from customers

Advance from customers represent prepayments to us for merchandise that had not yet been shipped to customers.

Fair value of financial instruments

We adopted ASC Topic 820, “Fair Value Measurements”, for our financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts of our financial assets and liabilities, such as cash, accounts receivable, prepayments and other current assets, accounts payable, accrued expenses and other current liabilities, approximate their fair values because of the short maturity of these instruments.

Revenue Recognition Policy and Presentation:

We follow the guidance of ASC 605, "Revenue Recognition,” and the Securities and Exchange Commission's Staff Accounting Bulletin (“SAB”) No. 104 and SAB Topic 13 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

Revenues for our product sales are recognized when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists through a formal purchase order or contract; (ii) delivery of the products has occurred and risks and rewards of ownership have passed to the customer; (iii) the selling price is both fixed and determinable based on agreement between us and our customer; and (iv) collectability is reasonably assured. For any advance payments from customers, revenues are deferred until such a time when all the four criteria mentioned above are fully met.

Revenue is accounted for in accordance with the ASC 605-45, reporting revenue either gross as a principal or net as an agent depending upon the nature of the sales transaction. Revenue is recognized on a gross basis when the Company determines the sale meets the conditions of ASC 605-45, “Reporting Revenue Gross as a Principal versus Net as an Agent.” When the Company does not meet the criteria for gross revenue recognition under ASC 605-45, the Company reports the revenue on a net basis.

In accordance with ASC 605-45-45, “Principal Considerations - Other Presentation Matters”, we report our revenues from sales of toys as follows:

	Revenue Recognition (1)					
	For the Second Quarter of 2012			For the Second Quarter of 2011		
Allocation of Revenues	Gross Method	Net Method	Total	Gross Method	Net Method	Total
Revenues, excluding sales reported on net basis	$9,919,807		$9,919,807	$1,077,552		$1,077,552
Net Revenues from sales reported on net basis		$20,488	$20,488		$574,677	$574,677
Total Revenues	$9,919,807	$20,488	$9,940,295	$1,077,552	$574,677	$1,652,229

- 6 -

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

Revenue Recognition (1)

	For the Six Months Ended June 30, 2012			For the Six Months Ended June 30, 2011		
Allocation of Revenues	Gross Method	Net Method	Total	Gross Method	Net Method	Total
Revenues, excluding sales reported on net basis	$15,659,861		$15,659,861	$1,645,068		$1,645,068
Net Revenues from sales reported on net basis		$63,695	$63,695		$571,228	$571,228
Total Revenues	$15,659,861	$63,695	$15,723,556	$1,645,068	$571,228	$2,216,296

(1) Certain revenues from our sales are based on a net reporting because they do not meet the criteria for gross reporting method pursuant to ASC 605-45-45. This means that all cost of purchases from those sales will be netted with the sales revenues generated by the sale of those toys. All other revenues from sales are based on gross reporting pursuant to criteria outlined in ASC 605-45-45, as follows:

- we are the primary obligor to provide the product or services desired by our customers;
- we have discretion in supplier selection.
- we have latitude in establishing price;
- we have credit risk – see Note 10 for customer concentrations and credit risk; and
- we have inventory risk before customer order and upon customer return;

Income taxes

We account for income taxes under ASC 740, "Expenses – Income Taxes". ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

All of BT Shantou operations are in the PRC and are governed by the Income Tax Law of the People's Republic of China and local income tax laws (the PRC Income Tax Law"). Pursuant to the PRC Income Tax Law, we are subject to tax at a maximum statutory rate of 25% (inclusive of state and local income taxes).

BT Brunei was incorporated in the State of Brunei Darussalam, and is not subject to any corporate income taxes in accordance to the laws and regulations of that country.

Value added taxes

Pursuant to the Provisional Regulation of China on Value Added Tax ("VAT") and their rules, all entities and individuals that are engaged in the sale of goods in China are generally required to pay VAT at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to a portion of or a full refund of the VAT that it has already paid or borne.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income and foreign currency translation adjustments, and is presented in our Consolidated Statements of Operations and Comprehensive Income (Loss).

Recently issued accounting pronouncements

In September 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-08, Intangibles – Goodwill and Other , which simplifies how an entity is required to test goodwill for impairment. This ASU would allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under the ASU, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The ASU includes a number of factors to consider in conducting the qualitative assessment. The ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 did not have an impact on our consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under the amendments, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The presentation option under current US GAAP to present the components of other comprehensive income as part of the statement of changes in stockholders' equity has been eliminated. The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-05 did not have an impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations ("ASC 805"). The objective of this standard is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. This standard specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This standard also expands the supplemental pro forma disclosures under ASC 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This standard is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of ASU 2010-29 did not have an impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, Intangibles — Goodwill and Other (ASC 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts . The objective of this standard is to address questions about entities with reporting units with zero or negative carrying amounts because some entities concluded that Step 1 of the test is passed in those circumstances because the fair value of their reporting unit is greater than zero. The amendments in this standard modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The adoption of ASU 2010-28 did not have an impact on our consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, we have not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

NOTE 3 – ADVANCE TO SUPPLIERS AND PREPAID EXPENSES

Advance to suppliers and prepaid expenses consisted of the following:

	June 30, 2012	December 31, 2011

Advance to suppliers	$	-	$	44,442
Prepaid expenses		270,072		36,536
Total	$	270,072	$	80,978

Prepaid expenses reflect the amount paid for advertising that has not been utilized.

NOTE 4 – OTHER RECEIVABLE

Other receivable mainly consists of export tax refund from China's State Administration of Taxation. As a measure to encourage export, the Chinese tax code provides for a tax refund based on the amount and products exported by Chinese corporate taxpayers. The maximum statutory tax refund rate is approximately 17%. Other receivable consisted of the following:

	June 30, 2012		December 31, 2011	
Tax refund receivable	$	399,549	$	247,722
Other		10,622		18,596
Total	$	410,171	$	266,318

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consisted of the following:

	Estimated Life		June 30, 2012		December 31, 2011
Office equipment	5 Years	$	26,461	$	25,764
Vehicles	5 Years		72,451		28,899
Machinery and Equipment	3 Years		169,455		101,696
			268,367		156,359
Less: Accumulated Depreciation			(46,202)		(24,547)
		$	222,165	$	131,812

Depreciation expenses amounted to $21,486 and $3,429 for the six months ended June 30, 2012 and 2011, respectively. For the three months ended June 30, 2012 and 2011, depreciation expenses amounted to $12,746 and $1,860 respectively.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets represent accounting software purchased in July 2011, which is amortized on a straight line basis over its useful life of 5 years. For the six months ended June 30, 2012 and 2011, amortization expenses amounted to $1,536 and $0 respectively.

NOTE 7 – ADVANCE FROM CUSTOMERS

Advance from customers represent prepayment to us for merchandise that had not been shipped to customers. Advance from customers amounted to $618,982 and $941,750 as of June 30, 2012 and December 31, 2011, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

Due from related parties

Due from related parties reflect prepayments to related party suppliers for purchased toy products not yet received. As of June 30, 2012 and December 31, 2011, due from related parties consisted of the following:

		June 30, 2012		December 31, 2011
Due from Universal Toys		-		11,944
Due from Xin Zhongyang		-		54,653
Total	$	-	$	66,597

Due to related parties

As of June 30, 2012 and December 31, 2011, due to related parties consisted of the following:

	June 30, 2012	December 31, 2011
Due to Wei Lin	$ 438,342	$ 97,375
Due to Chaojun Lin	88,763	12,594
Due to Guihong Zheng	-	28,845
Due to Universal Toys	47,466	-
Due to Xin Zhongyang	1,568,512	-
Due to China Direct Investments, Inc.	40,010	-
Total	$ 2,183,093	$ 138,814

Mr. Wei Lin is our Chairman and Chief Executive Officer. The balances of due to Mr. Lin primarily consisted of advances for working capital.

Chaojun Lin is the Deputy General Manager of BT Shantou since March 2004. The balance due to Mr. Chaojun Lin as of December 31, 2011, consisted of advances for working capital.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

Ms. Guihong Zheng is Mr. Wei Lin's wife, and the amounts due consisted of advances for working capital.

The controlling shareholder of Universal Toys (HK) Ltd. ("Universal Toys"), and Xin Zhongyang Toys Industrial Co. Ltd. ("Xing Zhongyang"), is Mr. Xiaodong Ou, brother-in-law of Mr. Wei Lin. The balance due to Xin Zhongyang primarily consisted of advances for working capital.

China Direct Investments, Inc. is a principal shareholder of the Company. The balance on June 30, 2012 consisted of amounts China Direct Investments, Inc. advanced to the Company to pay certain legal and accounting fees.

NOTE 9 - OTHER PAYABLE

On June 30, 2012 other payable of $145,107 consisted of social security liability payable.

NOTE 10– CONCENTRATIONS AND CREDIT RISK

(i) Customer Concentrations

Customer concentrations for the six months ended June 30, 2012 and 2011 were as follows:

	Net Sales		Accounts Receivable	
	For six months ended June 30		June 30,	December 31,
	2012	2011	2012	2011
Pacific Toys (HK) Ltd	-	20.32%	-	22.7%
Aowei Trade	8.54%	-	8.7%	-
Guangdong Athletic Goods	-	-	19.0%	-
Poundland Far East Ltd	10.95%	10.38%	7.7%	10.2%
Dheeraj Impex	-	-	-	13.5%
Total	19.49%	30.70%	35.4%	46.4%

A reduction in sales from or loss of such customers would have a material adverse effect on our results of operations and financial condition

(ii) Vendor Concentrations

Vendor purchase concentrations for June 30, 2012 and 2011 were as follows:

	Net Purchases		Accounts Payable	
	For six months ended June 30,		June 30,	December 31,
	2012	2011	2012	2011
Universal Toys (HK) Ltd--(1)	4.64%	80.13%	7.8%	-
Changtai Toys (Prosperous Toys)	45.53%	-	21.9%	24.8%
Yintai International(Win Tide)	29.78%	-	13.5%	11.9%
Chenghua Weida Plastic Toys	-	-	-	-
Yade Plastic Toys	-	4.52%	-	-
Jiada Toys	7.6%	-	37.4%	-
Shantou Wanshun Toys	-	-	-	33.5%

Jinwei Corp Ltd.	-	-	-	21.7%
Total	87.55%	84.65%	80.6%	91.9%

(1) Universal Toys is a related party, whose sole shareholder is Mr. Xiaodong Ou, the brother-in-law of Mr. Wei Lin, our Chairman and CEO. See Note 8 – Related Party Transactions.

(iii) Credit Risk

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and equivalents. As of June 30, 2012, substantially all of our cash and equivalents were held by major financial institutions located in the PRC, none of which are insured. However, we have not experienced losses on these accounts and management believes that the Company is not exposed to significant risks on such accounts.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
June 30, 2012

(iv) Foreign currency risk

We cannot guarantee that the current exchange rate will not fluctuate. There is always the possibility that we could post the same amount of profit for two comparable periods, and because of a fluctuating exchange rate actually post higher or lower profit depending on exchange rate of RMB converted to U.S. dollars on that date. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

NOTE 11 - EARNINGS PER SHARE

In conjunction with the BT Brunei reverse acquisition of the Company on December 30, 2011, we issued Series B convertible preferred stock ("Series B Preferred Stock") which is convertible into 820,016 shares of our common stock and Series C Preferred Stock which is convertible into 9,042,744 shares of our common stock, giving effect to the Reverse Stock Split. Conversion is conditioned on the Company effecting the Reverse Stock Split which has not been consummated as of June 30, 2012, and only after all relevant filings have been cleared and approved by regulatory agencies. Because the conditions could only be satisfied after the end of the reporting period of this report, in accordance with ASC 260 Earnings per Share, these shares were not included in the dilutive earnings per share (EPS) calculation.

NOTE 12 - STOCKHOLDERS' EQUITY

On December 30, 2011, we entered into debt exchange agreements with the holders of $848,878 in our outstanding debt whereby we exchanged 820,016 shares of our Series B Preferred Stock") for this debt. The following table sets forth the name of the debt holder, amount of debt exchanged and number of shares exchanged:

Name of Holder of Debt	Amount of Debt to be Exchanged	No. of Shares of Series B Convertible Preferred Stock to be Exchanged
Stephen Walters	$ 122,163	118,010
Carlingford Investments Limited	151,309	146,165
CFO Oncall, Inc.	37,094	35,831
China Direct Investments, Inc.*	538,312	520,010
Total	$ 848,878	820,016

* China Direct Investments, Inc. purchased this debt acquired from Stephen Walters for $75,000 pursuant to a Bill of Sale and Assignment dated December 30, 2011.

Each share of the Series B Preferred Stock is automatically convertible into one share of our common stock after giving effect to the Reverse Stock Split following the date on which we shall have filed Articles of Amendment to our Articles of Incorporation with the Secretary of State of Colorado increasing the number of our authorized shares of our common stock or upon completion of the Reverse Stock Split without any action of the holders of the Series B Preferred Stock. The number of shares in which the Series B Preferred Stock are convertible into is not subject to adjustment unless, during the time the shares are outstanding, we were to declare a stock dividend or make other distributions of our common stock or if we were to merge with or transfer our assets to an unrelated entity.

On December 30, 2011, we entered into a Share Exchange Agreement with BT Brunei and its shareholder BT Hong Kong. Under the Share Exchange Agreement, we exchanged 6,500,000 shares of our Series C Preferred Stock to acquire 100% of the issued and outstanding shares of BT Brunei from its sole shareholder BT Hong Kong. Each share of the Series C Preferred Stock is convertible into one share of our common stock after giving effect to the Reverse Stock Split and will represent approximately 65% of the issued and outstanding shares of our common stock The Share Exchange Agreement was approved by our Board of Directors on December 30, 2011 and no approval of our shareholders was necessary under Colorado law. The transaction will be accounted for as a reverse merger and recapitalization of BT Brunei whereby BT Brunei is considered the acquirer for accounting purposes and the 6,500,000 shares of our Series C Preferred Stock were accounted for as paid in capital of our company. As a result of the consummation of the Share Exchange, BT Brunei and its subsidiary BT Shantou are now our wholly-owned subsidiaries.

As compensation for services under the December 30, 2011 consulting agreement we entered into with China Direct Investments, Inc. and its affiliate Capital One Resource Co., Ltd. (collectively, “China Direct”), we issued China Direct Investments, Inc. 2,542,743 shares of our Series B Preferred Stock. Each share of the Series B Preferred Stock is convertible into one share of our common stock after giving effect to the Reverse Stock Split. The services China Direct provided to us included an evaluation of several different business opportunities, including the acquisition of BT Brunei and BT Shantou. The Series B Preferred Stock issued to China Direct will be accounted for as an expense of our company prior to the reverse merger and recapitalization with BT Brunei and the resulting effect in net equity was eliminated upon completion of the reverse merger and recapitalization with BT Brunei.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operation should be read in conjunction with our unaudited consolidated financial statements and footnotes for the second quarter and six months ended June 30, 2012 and 2011.

Overview

Our main business focus is to function as a “one stop shop” for the sourcing, distribution and specialty manufacturing of toys and related products. We conduct these operations through both BT Brunei, which focuses on export sales, and BT Shantou, which concentrates on domestic sales. We are located in Shantou City of Guangdong province, the geographical region well-known for toys manufacturing and exporting in China. We are not a manufacturer. We provide procurement services, which represent transactions in which our customers do not request any change to toy products from the manufacturer’s sample, for international toy distributors and wholesalers, including identifying, evaluating, and engaging one or more local manufacturers, trading companies or distributors for the requested supply of toys, as well as original equipment manufacturing (“OEM”) services. The OEM services include engaging toy manufacturers directly or through other toy trading companies or distributors to either manufacture toys to specific specifications requested by our customers, or customize an existing toy product to meet our customer’s request such as through changes in mechanical functionality, appearance, physical dimension, and materials. For the first six months of 2012, our procurement services represented approximately 62.8% of our revenues and our OEM services generated about 37.2% of our revenues.

We source toys to distributors, trading companies, and wholesalers primarily located in mainland China, Hong Kong, Europe, South America, and Asia. The end customers are typically children, ranging from infants to teenagers, in these countries and regions. From a geographic perspective, outside of Asia which represented a majority of our revenues, the sales to Great Britain market and Turkey represented 15.75% and 11%, respectively, of our total revenues for the first six months ended June 30, 2012. We have a limited amount of sales to customers in the U.S., representing less than 1% of our sales in the first six months of 2012.

During the first six months of 2012, our three major customers represented approximately 25.36% of our total revenues. The products sourced to these top three customers are primarily battery-operated plastic toys and regular plastic toys. We purchase toy products from suppliers that are able to provide a large variety of selections with competitive pricing. We consistently review our suppliers’ product offerings and pricing policies and place orders with the most favorable offerings, which may result in change in our vendor concentration from time to time. Since the beginning of 2012, Changtai Toys (Prosperous Toys) and Yintai International (Win Tide), unrelated third parties, have offered more competitive pricing than Universal Toys, a related party. As a result, we placed more business with these suppliers, and accordingly reduced our purchases from Universal Toys. In the first six months of 2012, Changtai Toys (Prosperous Toys) and Yintai International (Win Tide), respectively accounted for 45.53% and 29.78% of our toy purchases while in the first six months of 2011, 80.13% of our purchases were from Universal Toys.

In 2011, we began selling our Big Tree Magic Puzzle (3D) directly to Chinese domestic end consumers including children and grown-ups through our own sales counters in Dennis Department Stores and online store at Taobao Mall (www. Tmall.com), the biggest B2C online retailing platform in China. The sales from this segment represented less than 1% of our total revenue during 2011 and the first six months of 2012. During the rest of 2012, we expect to utilize our existing distribution channels in an effort to increase the sales of this proprietary product. In addition, and subject to the availability of additional capital, should sales of this product increase in the rest of 2012 we expect to open additional retail locations from which this propriety product can be offered. While we are in the early stages of planning these additional locations and have not finalized any of these expansion plan, including the target number of locations, we estimate that the cost for each location with be approximately $8,000 to $16,000.

In addition to a continued focus on increasing our revenues from our procurement and OEM sourcing services, and sales of our Big Tree Magic Puzzle (3D), our growth strategies include possibly opening satellite sales offices and branches in the U.S. and other cities in China as well as the potential acquisition of distributors.

Lastly, we are evaluating the financial and operating benefits of acquisitions which include Yunjia Fashion Clothing Co., Ltd. ("Yunjia") and Xinzhongyang Toys Industrial Co., Ltd. ("Xinzhongyang"), both related parties. We believe that the possible acquisition of Yunjia which would include its commercial real estate property where our current offices and toy showroom is located, could provide us with additional space to permit us to expand our business services, including the addition of more showrooms and an OEM procurement center while controlling our overhead expenses.

In the event sales of our Big Tree Magic Puzzle (3D) begin to build to a sustainable level, of which there are no assurances, we believe the acquisition of our contract manufacturer, Xinzhongyang, could enable us to have greater control over our production process and provide an avenue for further business expansion through the provision of contract manufacturing services to third parties. If we should determine to proceed with the acquisition of Yunjia or Xinzhongyang, or both, of which there is no assurance, it is likely that we would acquire these companies for equity in our company which will be dilutive to our existing shareholders. We are not a party to any agreements at this time for an acquisition of either Yunjia Xinzhongyang and we may determine that neither acquisition would provide a financial or operating benefit to our company.

Results of Operations

Our revenue recognition policy was changed in the second quarter of 2012. As described earlier in this report in Note 2 to our consolidated financial statements, starting in the second quarter of 2012, our revenue recognition was based on net reporting method for all sales revenues that do not meet the criteria for gross reporting method pursuant to ASC 605-45-45. This means that all cost of purchases from those sales will be netted with the sales revenues generated by the sale of those toys. All other revenues from sales are based on gross reporting pursuant to criteria outlined in ASC 605-45-45. Revenues for the 2011 periods included in this report are presented on a basis consistent with our current revenue recognition policy.

Our consolidated revenues for the second quarter of 2012 amounted to $9.9 million, an increase of $8.3 million over the same period in 2011. The increase in revenues for the second quarter of 2012 was primarily due to $7.2 million increase of sales revenues from BT Brunei, coupled with a $1.1 million increase from BT Shantou. The increase in sales attributable to BT Brunei, which was formed in April 2011, reflects revenues from this subsidiary for the entire three month period as compared to only a portion of the quarter in the 2011 period. In the second quarter of 2012, revenues reported on gross method accounted for 99.8% of our total revenue as compared with 65.2% for the same period in 2011.

Our sales revenues for the six months ended June 30, 2012 amounted to $15.7 million, an increase of $13.5 million over the same period in 2011. The increase in revenues was primarily due to a $12.5 million increase from BT Brunei, coupled with an increase of $1.0 million from BT Shantou. As set forth above, the increase in sales from BT Brunei also reflects reporting of revenues from that subsidiary for the entire six month period in 2012. For the six months ended June 30, 2012, revenues reported gross accounted for 99.6% of our total revenues, compared with 74.2% for the same period in 2011.

Our cost of revenues represents the cost of toy products we purchase from unrelated third parties which are sold to our customers and reported on a gross revenue basis. For sales revenue reported on a net revenue basis, there is no cost of revenue for those sales. Our cost of revenues were 92% for the second quarter of 2012 and the six months ended June 30, 2012 as compared to 59% and 67%, respectively, for the comparable periods in 2011. The decline in our gross profit margins in the 2012 periods is attributable to the decline in the percentage of our total revenues reported on a net basis in the 2012 periods. During the second quarter of 2012 and the six months ended June 30, 2012, sales attributable to BT Brunei had a gross margin of 7.5% and 8.0%, respectively, while sales attributable to BT Shantou had a gross margin of 11% in each of those periods.

Operating expenses in the second quarter of 2012, composed of selling and general and administrative expenses, increased 415% over the same period in 2011. Selling expense increased by $0.1 million in the second quarter of 2012 as compared to the same period in 2011, primarily due to increased salary paid to sales personnel, and was 1.4% and 1.6%, respectively, of our revenues in the 2012 and 2011 periods. General and administrative expenses increased by 398% in the second quarter of 2012 as compared to the same period in 2011. This increase was primarily due to higher salary and employee benefits due to increased labor cost in China.

For the six months ended June 30, 2012, operating expenses increased 522% over the same period in 2011. Selling expense increased by $0.2 million in the six months ended June 30, 2012 as compared to the same period in 2011, primarily due to increased salary paid to sales personnel, and was 1.6% and 2.0%, respectively, of our revenues in the 2012 and 2011 periods. General and administrative expenses increased by 574% for the six months ended June 30, 2012 as compared to the same period in 2011. This increase was primarily due to higher salary and employee benefits due to increased labor cost in China.

We expect operating expenses to continue to increase during the balance of 2012, including increased costs associated with our public company reporting obligations, but we are unable at this time to quantify the amount of the expected increase.

Our net income for the second quarter of 2012 amounted to $0.5 million as compared to $0.6 million for the same period in 2011. The decrease was due primarily to higher operating expenses which more than offset higher gross profit. For the six months ended June 30, 2012, net income increased to $0.7 million, compared to $0.6 million for the same period in 2011. The increase was primarily due to higher revenues and gross profit partially offset by an increase of $0.5 million in selling, general and administrative expenses.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to meet its operational cash requirements. We had working capital of $2.4 million, including cash on hand of $0.7 million, as of June 30, 2012, as compared to a working capital of $1.6 million as of December 31, 2011.Our primary uses of cash have been for purchases of toy products, including inventory, as well as selling, and general and administrative expenses. Our primary sources of cash are derived from revenues from the sales of our toy products and working capital advances from related parties.

At June 30, 2012 and December 31, 2011, we maintained cash and cash equivalents of $647,452 and $246,532, respectively, in financial institutions located in China. Cash held in banks in the PRC is not insured. The value of cash on deposit in China has been converted to U.S. dollars based on the exchange rate as of respective balance sheet dates. In 1996, the Chinese government introduced regulations, which relaxed restrictions on the conversion of the RMB; however, restrictions still remain, including but not limited to restrictions on foreign invested entities. Foreign invested entities may only buy, sell or remit foreign currencies after providing valid commercial documents at only those banks authorized to conduct foreign exchanges. Furthermore, the conversion of RMB for capital account items, including direct investments and loans, is subject to PRC government approval. Chinese entities are required to establish and maintain separate foreign exchange accounts for capital account items. We cannot be certain Chinese regulatory authorities will not impose more stringent restrictions on the convertibility and outflow of RMB, especially with respect to foreign exchange transactions. Accordingly, cash on deposit in banks in the PRC is not readily deployable by us for purposes outside of China.

Total current assets at June 30, 2012 increased by $3.9 million from December 31, 2011. The principal contributor to this change was an increase in accounts receivable which reflects sales increases during the second quarter of 2012, together with increases in advances to suppliers and prepaid expenses and inventories, in line with our growth in sales volume. Total current liabilities increased by $3.1 million at June 30, 2012 primarily due to an increase in accounts payable and accrued expenses, resulting from increased purchases to fulfill higher sales volume in the second quarter of 2012, together with increases in due to related parties and other payables. The increase in due to related parties reflects funds advanced to us by our Chairman and CEO, as well as other related parties, for working capital purposes.

We do not have any commitments for capital expenditures and expect that our cash on hand and cash flow from operations will be sufficient to sustain our operations for at least the next twelve months. However, the following trends are reasonably likely to require us to raise additional capital.

- An increase in working capital requirements to finance near term and long term growth strategy including possible acquisitions;
- Increases in capital expenditures, marketing and administrative expenses to support the sales growth of our company;
- The costs for recruitment and retention of additional management and personnel to support our operations and expansion plans; and
- The additional costs, including legal accounting and consulting fees, associated with a public company and related compliance activities.

We do not have any external sources of working capital. We may seek to raise capital through the sale of equity in our company. However, we are not a party to any agreement or understandings at this time and there are no assurances we will be able to raise capital on terms satisfactory to us, or at all. If we are unable to raise additional capital as may be needed, our ability to grow our company and increase our revenues in future periods will be adversely impacted.

Cash Flows Analysis

CASH FLOW FROM OPERATING ACTIVITIES:

Net cash used in operating activities was $24,171 for the six months ended June 30, 2012, as compared to $0.1 million for the same period of 2011. The increase in cash outflow from operating activities for the six months ended June 30, 2012 was primarily due to an increase of $1.8 million in accounts receivable from higher sales and $1.4 million used for inventory to fulfill higher customer demand, partially offset by an increase of $1.6 million in due to related party from trading activities and an increase of $1.3 million in account payable and accrued expenses for higher toy purchases.

CASH FLOW FROM INVESTING ACTIVITIES:

Net cash used in investing activities amounted to $0.1 million for the six months ended June 30, 2012 as a result of purchase of property, plant and equipment, compared to net cash proceeds from disposition of property, plant, and equipment of $0.3 million in the same period of 2011.

CASH FLOW FROM FINANCING ACTIVITIES:

Net cash provided by financing activities was $0.5 million for the six months ended June 30, 2012, due to advances from related parties for working capital purposes, with no comparable amount for 2011.

Off Balance Sheet Arrangements

Under SEC regulations, we are required to disclose our off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, such as changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. An off-balance sheet arrangement means a transaction, agreement or contractual arrangement to which any entity that is not consolidated with us as a party, under which we have:

- Any obligation under certain guarantee contracts,
- Any retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets,
- Any obligation under a contract that would be accounted for as a derivative instrument, except that it is both indexed to our stock and classified in stockholder's equity in our statement of financial position, and
- Any obligation arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us.

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with U.S. GAAP.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company’s critical accounting policies as the ones that are most important to the portrayal of the company’s financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We also have other significant accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 2 to our financial statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Revenue recognition

We follow the guidance of ASC 605, “Revenue Recognition,” and the SEC Staff Accounting Bulletin (SAB) No. 104 and SAB Topic 13 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable and collectability is reasonably assured.

Revenues for our product sales are recognized when all four of the following criteria are met: (i) persuasive evidence of an arrangement exists through a formal purchase order; (ii) delivery of the products has occurred and risks and rewards of ownership have passed to the customer; (iii) the selling price is both fixed and determinable based upon an agreement between our company and our customer; and (iv) collectability is reasonably assured. For any advance payments from customers, revenues are deferred until such a time when all the four criteria mentioned above are fully met.

Revenue is accounted for in accordance with the ASC 605-45, reporting revenue either gross as a principal or net as an agent depending upon the nature of the sales transaction. Revenue is recognized on a gross basis when the Company determines the sale meets the conditions of ASC 605-45, “Reporting Revenue Gross as a Principal versus Net as an Agent.” When the Company does not meet the criteria for gross revenue recognition under ASC 605-45, the Company reports the revenue on a net basis-see Note 2 for table on breakdown of revenue reporting computations for the quarter ended June 30, 2012.

Estimates

Significant estimates for the periods reported include the allowance for doubtful accounts which is based on an evaluation of our outstanding accounts receivable including the age of amounts due, the financial condition of our specific customers and historical bad debt experience. This evaluation methodology has proven to provide a reasonable estimate of bad debt expense in the past and we intend to continue to employ this approach in our analysis of collectability. However, we are aware that given the current global economic crises, including that of the PRC, meaningful time horizons may change. We intend to enhance our focus on the evaluation of our customers' sustainability and adjust our estimates as may be indicted.

We rely on assumptions such as volatility, forfeiture rate, and expected dividend yield when calculating the fair value of our derivative liability related to common stock purchase warrants. We also rely on assumptions and estimates to calculate our reserve for obsolete inventory and the depreciation of property, plant and equipment. We make assumptions of expiration of our products held as inventory based on historical experience and if applicable, regulatory recommendation. We also group property plant and equipment into similar groups of assets and estimate the useful life of each group of assets.

Further, we rely on certain assumptions and calculations underlying our provision for taxes in the PRC. Assumptions and estimates employed in these areas are material to our reported financial conditions and results of operations. These assumptions and estimates have been materially accurate in the past and are not expected to materially change in the future. Actual results could differ from these estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported as specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (CEO), and our Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure. Management, with the participation of our CEO and CFO, performed an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2012.

Based on this evaluation we concluded that as of June 30, 2012 our disclosure controls and procedures were not effective such that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of continuing material weaknesses in our internal control over financial reporting previously identified in our Annual Report on Form 10-K for the year ended December 31, 2011.

Changes in Internal Control over Financial Reporting

There was a change in our internal control over financial reporting identified in connection with our evaluation during our second quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting . In the second quarter of 2012, we changed our revenue recognition policy in accordance with ASC 605-45, "Revenue Recognition", which is reflected under Note 2 of our consolidated financial statements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not a party to any pending litigation.

ITEM 1A. RISK FACTORS.

Risk factors describing the major risks to our business can be found under Item 1A, "Risk Factors", in our fiscal 2011 Annual Report on Form 10-K. There has been no material change in our risk factors from those previously discussed in the 2011 Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our company’s operation

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation - Incorporated by reference to the Company's Report filed on Form 10-SB filed on October 27, 1999.
3.2	By Laws - Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 as filed with the SEC on May 9, 2006.
3.3	Articles of Amendment to Articles of Incorporation designating Series B Convertible Preferred Stock and Series C Convertible Preferred Stock - Incorporated by reference to the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC on April 13, 2012.
4.1	2004 Stock Option Plan, effective January 1, 2004 - Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 as filed with the SEC on April 18, 2005.
10.1	Merger Agreement, dated July 22, 2003, by and among the Company, Vega-Atlantic Acquisition Corporation, Transax Limited and certain selling shareholders of Transax International Limited - Incorporated by reference to the Company's Annual Report filed on Form 10-KSB for the year ended December 31, 2003 as filed with the SEC on April 14, 2004.
10.2	Securities Purchase Agreement, dated April 1, 2005, by and between the Company and Scott and Heather Grimes - Joint Tenants With Rights of Survivorship - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.
10.3	Investors Registration Rights Agreement, dated April 1, 2005, by and between the Company and Scott and Heather Grimes - Joint Tenants With Rights of Survivorship - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.
10.4	Secured Convertible Debenture, dated April 1, 2005, issued to Scott and Heather Grimes - Joint Tenants with Rights of Survivorship - incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.
10.5	Termination Agreement, dated May 17, 2005, related to the 2004 Standby Equity Distribution Agreement by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.
10.6	Standby Equity Distribution Agreement, dated May 17, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.
10.7	Registration Rights Agreement, dated May 17, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.
10.8	Placement Agent Agreement, dated May 17, 2005, by and between the Company and Monitor Capital, Inc. Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.
10.9	Promissory Note, dated May 17, 2005, issued by the Company to Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.
10.10	Securities Purchase Agreement, dated October 25, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on November 3, 2004.
10.11	Termination Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.12	Letter from Cornell Capital Partners, LP, regarding the surrender of a Promissory Note - Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K as filed with the SEC on January

	20, 2006.
10.13	Investment Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.14	Investor Registration Rights Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.15	Warrant, dated as of January 13, 2006, issued to Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.16	Warrant, dated as of January 13, 2006, issued to Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.17	Escrow Agreement dated January 13, 2006, by and among Transax International, Ltd., Cornell Capital Partners, LP and David Gonzalez, Esq. - Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.
10.18	Irrevocable Transfer Agent Instructions, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.19	Investor Relations Agreement, dated January 17, 2006, by and between Transax International Limited and David Sasso - Incorporated by reference to Exhibit 10.11 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.
10.20	Consulting Agreement, dated July 15, 2005, by and between Transax International Limited and Geoff Eiten Incorporated by reference to Exhibit 10.12 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.
10.21	Consulting Agreement, dated March 31, 2005, by and between Transax International Limited and Aiden Capital Management - Incorporated by reference to Exhibit 10.13 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.
10.22	Consulting Agreement, dated January 14, 2005, by and between Transax International Limited and Mirador Consulting, Inc. - Incorporated by reference to Exhibit 10.14 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.
10.23	Service Agreement and Proposal, dated March 20, 2006 by and Between the Company and ROI Group Associates, Inc. - Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form SB-2 as filed with the SEC on May 9, 2006.
10.24	Management Consulting Services Agreement dated July 1, 2007 among Transax International Limited, Transax Limited, and Carlingford Investments Limited - Incorporated by reference to Exhibit 10.1 to the Company's Form 10-QSB as filed with the SEC on November 19, 2007.
10.25	Stock Purchase And Option Agreement dated March 26, 2008 between Transax International Limited and Engetech, Inc.- Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K as filed with the SEC on March 31, 2008.
10.26	Escrow Agreement dated March 26, 2008 among Engetech, Inc., Transax International Limited and Carlton Fields PA. - Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K as filed with the SEC on March 31, 2008.
10.27	Intellectual Property License Agreement dated March 26, 2008 between Medlink Technologies Inc., and Transax International Limited - Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K as filed with the SEC on March 31, 2008.
10.28	Promissory Note dated March 26, 2008 between Engetech, Inc., and Transax International Limited. - Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K as filed with the SEC on March 31, 2008.
10.29	Stock Pledge Agreement dated March 26, 2008 between Engetech, Inc. and Transax International Limited - Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K as filed with the SEC on March 31, 2008.
10.30	Quota purchase and sale agreement and other covenants date April 4, 2011 related to sale of Medlink Conectividade Em Saúde Ltda. - Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K as filed with the SEC on April 8, 2011.
10.31	Agreement to Redeem Shares of Series A Preferred Stock dated May 4, 2011 between Transax International Limited and YA Global Investments L.P – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on May 10, 2011.
10.32	Contract Manufacturing Agreement dated June 1, 2010 between Shantou Big Tree Toys Co., Ltd. and Shantou Xinzhongyang Toy Industrial Co., Ltd. – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.33	Building Lease Agreement between Shantou Yunjia Fashion Handicraft Co., Ltd. and Shantou Big Tree Toys Co., Ltd. for the period beginning January 1, 2011 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.34	Stock Transfer Agreement dated July 5, 2011 between the shareholders of Shantou Big Tree Toys Co., Ltd. and Big Tree International Co., Ltd. – Incorporated by reference to the Current Report on Form 8-K

	filed with the SEC on January 6, 2012.
10.35	Option Agreement dated December 29, 2011 between Lins (HK) Intl Trading Limited and certain shareholders of Big Tree International Co., Ltd. – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.36	Share Exchange Agreement dated December 30, 2011 between Transax International Limited, Big Tree International Co., Ltd., and Lins (HK) Int’l Trading Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.37	Bill of Sale and Assignment dated December 30, 2011 between Stephen Walters and China Direct Investments, Inc. – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.38	Debt Exchange Agreement dated December 30, 2011 between China Direct Investments, Inc. and Transax International Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.39	Debt Exchange Agreement dated December 30, 2011 between Stephen Walters and Transax International Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.

10.40	Debt Exchange Agreement dated December 30, 2011 between Carlingford Investments Limited and Transax International Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.41	Debt Exchange Agreement dated December 30, 2011 between CFO Oncall, Inc. and Transax International Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.42	Consulting Agreement dated December 30, 2011 between Transax International Limited and China Direct Investments, Inc. and Capital One Resource Co., Ltd.. – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.43	Stock Option Termination Agreement dated December 30, 2011 between Transax International Limited and Laurie Bewes – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.44	Stock Option Termination Agreement dated December 30, 2011 between Transax International Limited and Stephen Walters – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.45	Stock Option Termination Agreement dated December 30, 2011 between Transax International Limited and Adam Wasserman – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.46	Management Termination Agreement dated December 30, 2011 between Transax International Limited and Carlingford Investments Limited – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.47	Certificate of Grant of Patent No. HK1133784 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.48	Certificate of Registration of Design No. 0902157.3 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.49	Utility Model Patent Certification No. 1657120 for Patent No. ZL. 2009 2 0292981.6 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.50	Design Patent Certification No. 1321347 for Patent No. ZL 2010 3 0103327.4 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.51	Design Patent Certification No. 1315842 for Patent No. ZL 2009 3 0680023.1 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.52	Trademark Registration of Big Tree Carnival dated December 14, 2010 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.53	Trademark Registration of Big Tree dated December 14, 20106 – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.54	Assignment Agreement for patent No. ZL 2009 3 0680023.1 dated December 29, 2011 between Shantou Big Tree Toys Co., Ltd. and Wei Lin – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.55	Assignment Agreement for patent No. ZL 2010 3 0103327.4 dated December 29, 2011 between Shantou Big Tree Toys Co., Ltd. and Wei Lin – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.56	Assignment Agreement for patent No. ZL. 2009 2 0292981.6 dated December 29, 2011 between Shantou Big Tree Toys Co., Ltd. and Wei Lin – Incorporated by reference to the Current Report on Form 8-K filed with the SEC on January 6, 2012.
10.57	Employment Agreement dated January 1, 2011 between Shantou Big Tree Toys Co., Ltd. and Wei Lin - - Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC on April 13, 2012.
10.58	Employment Agreement dated December 31, 2011 between Shantou Big Tree Toys Co., Ltd. and Wei Lin - - Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC on April 13, 2012.

31.1	Section 302 Certificate of Chief Executive Officer.*
31.2	Section 302 Certificate of Principal Financial and Accounting Officer.*
32.1	Section 906 Certificate of Chief Executive Officer and Principal Financial and Accounting Officer.*
101.INS	XBRL INSTANCE DOCUMENT **
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA **
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE **
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE **
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE **
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE **
*	Filed herewith.
**	In accordance with Regulation S-T, the XBRL-formatted interactive data files that comprise Exhibit 101 in this Quarterly Report on Form 10-Q shall be deemed “furnished” and not “filed”.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	TRANSAX INTERNATIONAL LIMITED.
Date: August 17, 2012	By: /s/ Wei Lin Wei Lin Chairman and Chief Executive Officer, principal executive officer
Date: August 17, 2012	By: /s/ Jiale Cai Jiale Cai, Chief Financial Officer (principal financial and accounting officer)