

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際(控股)有限公司*

(Incorporation in the cayman islands with limited liability)

(Stock Code: 8103)

**THIRD QUARTERLY REPORT
FOR THE PERIOD ENDED 31ST DECEMBER 2012**

* *For identification purpose only*

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (“Directors”) of Tai Shing International (Holdings) Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Revenue for the nine months ended 31st December 2012 amounted to approximately HK\$65.8 million representing an increase of approximately 8% over the corresponding period in 2011.
- Profit attributable to the shareholders for the nine months ended 31st December 2012 amounted to approximately HK\$0.8 million. (2011: loss of approximately HK\$12.4 million)
- Earnings per share for the nine months ended 31st December 2012 was approximately 0.2 HK cents. (2011: loss per share 4.8 HK cents)
- The Board does not recommend the payment of any dividend for the nine months ended 31st December 2012.

The board of Directors (“Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31st December 2012, together with the unaudited comparative figures for the corresponding periods in 2011, are as follows:–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended 31st December		Nine months ended 31st December	
		2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	4	36,246	19,704	65,775	61,170
Cost of services		(27,934)	(12,306)	(40,702)	(46,318)
Gross profit		8,312	7,398	25,073	14,852
Other income	5	1,311	119	2,911	1,914
Selling and distribution expenses		(166)	(845)	(573)	(2,589)
Administrative expenses		(7,070)	(7,854)	(24,693)	(25,579)
Other expenses	6	(1,047)	(8)	(1,114)	(75)
Finance costs		(244)	(287)	(808)	(840)
Profit/(Loss) before taxation		1,096	(1,477)	796	(12,317)
Income tax expenses	7	–	(28)	–	(123)
Profit/(Loss) for the period	8	1,096	(1,505)	796	(12,440)
Other comprehensive (expense)/ income for the period					
Exchange difference arising on translation		(5)	139	(130)	396
Total comprehensive income/ (expenses) for the period		1,091	(1,366)	666	(12,044)
Earnings/(Loss) per share					
– basic (HK cents)	10	0.3	(0.6)	0.2	(4.8)
– diluted (HK cents)		0.2	N/A	0.1	N/A

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM 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 and loss are carried at their fair values.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

During the nine months ended 31st December 2012, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1st January 2012. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period or prior accounting periods.

4. REVENUE

Revenue, which is also the turnover of Group, represents the amounts arising from systems development, professional services rendered and software licensing, net of sales related taxes.

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

	UNAUDITED			
	Three months ended 31st December		Nine months ended 31st December	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Systems development	26,506	18,792	41,552	56,914
Professional services fees	3,865	912	5,881	4,256
Software licensing	5,875	—	18,342	—
	<u>36,246</u>	<u>19,704</u>	<u>65,775</u>	<u>61,170</u>

5. OTHER INCOME

	UNAUDITED			
	Three months ended		Nine months ended	
	31st December		31st December	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reversal of impairment loss in respect of trade receivables	–	4	588	1,489
Reversal of impairment loss in respect of retention receivables	142	–	271	–
Reversal of impairment loss in respect of other receivables	434	102	736	360
Gain on disposal of financial assets at fair value through profit and loss	–	–	68	19
Interest income	13	13	41	46
Sundry income	722	–	1,207	–
	<u>1,311</u>	<u>119</u>	<u>2,911</u>	<u>1,914</u>

6. OTHER EXPENSES

	UNAUDITED			
	Three months ended		Nine months ended	
	31st December		31st December	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value loss on financial assets at fair value through profit and loss	(36)	(13)	31	54
Impairment loss in respect of trade receivables	1,083	21	1,083	21
	<u>1,047</u>	<u>8</u>	<u>1,114</u>	<u>75</u>

7. INCOME TAX EXPENSES

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31st December		31st December	
	2012	2011	2012	2011
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
PRC enterprise income tax	—	28	—	123

- (a) Hong Kong profit tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong during the nine months ended 31st December 2012 and 2011.
- (b) Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate is 25%.

8. PROFIT/(LOSS) FOR THE PERIOD

Profit/(Loss) for the period is stated after charging:

	UNAUDITED			
	Three months ended		Nine months ended	
	31st December		31st December	
	2012	2011	2012	2011
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Staff costs				
Salaries and other benefits	884	2,653	5,197	8,132
Retirement benefits scheme contributions	105	564	1,046	1,786
	<u>989</u>	<u>3,217</u>	<u>6,243</u>	<u>9,918</u>
Auditors' remuneration	125	113	375	338
Amortisation of intangible assets	4,971	3,745	15,308	11,234
Depreciation of plant and equipment	499	535	1,536	1,641
Operating leases rentals in respect of land and buildings	49	276	293	1,434
Net exchange loss	56	—	56	—

9. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31st December 2012 (2011: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and nine months ended 31st December 2012 were based on the earnings attributable to the shareholders of approximately of HK\$1,096,000 and earnings of HK\$796,000 (2011: loss of approximately HK\$1,505,000 and loss of approximately HK\$12,440,000) divided by the weighted average number of 449,080,259 shares for the three months and nine months ended (2011: 259,863,666 shares for three months and nine months) in issue during the period.

The calculation of diluted earnings per share for the three months and nine months ended 31st December 2012 were based on the earnings attributable to the shareholders of approximately of HK\$1,096,000 and earnings of HK\$796,000 divided by the weighted average number of 688,077,199 shares for the three months and nine months ended in issue during the period. There were no dilutive potential ordinary shares for the three months and nine months ended 31st December 2011.

11. RESERVES

	Unaudited								
	Share Premium HK\$'000	General Reserve HK\$'000	Capital Reserve HK\$'000	Share Option Reserve HK\$'000	Unlisted warranties HK\$'000	Foreign Currency Translation Reserve HK\$'000	Accumulated Losses HK\$'000	Non- Controlling Interest HK\$'000	Total HK\$'000
At 1st April 2011	256,251	3,066	1,200	13,515	-	4,275	(52,771)	-	225,536
Total comprehensive income/ (expenses) for the period, net of tax	-	-	-	-	-	396	(12,440)	-	(12,044)
Issue of new shares	39,714	-	-	-	-	-	-	-	39,714
Issue of shares upon									
- placement of shares	63,437	-	-	-	-	-	-	-	63,437
- transaction cost attributable to placement of shares	(2,063)	-	-	-	-	-	-	-	(2,063)
Transfer from general reserves	-	(10)	-	-	-	-	10	-	-
Acquisition of non-controlling interests in subsidiary	-	-	-	-	-	-	-	2,720	2,720
At 31st December 2011	<u>357,339</u>	<u>3,056</u>	<u>1,200</u>	<u>13,515</u>	<u>-</u>	<u>4,671</u>	<u>(65,201)</u>	<u>2,720</u>	<u>317,300</u>
At 1st April 2012	356,466	3,056	1,200	12,269	-	5,103	(74,305)	2,683	306,472
Total comprehensive income/(expenses) for the period, net of tax	-	-	-	-	-	(130)	796	-	666
Issue of share upon									
- placement of shares	39,445	-	-	-	-	-	-	-	39,445
- unlisted warranties	-	-	-	-	1,148	-	-	-	1,148
- transaction cost attributable to placement of shares	(1,926)	-	-	-	-	-	-	-	(1,926)
- transaction cost attributable to unlisted warranties	(151)	-	-	-	-	-	-	-	(151)
At 31st December 2012	<u>393,834</u>	<u>3,056</u>	<u>1,200</u>	<u>12,269</u>	<u>1,148</u>	<u>4,973</u>	<u>(73,509)</u>	<u>2,683</u>	<u>345,654</u>

12. LITIGATION

- (a) On 12th March 2012, a High court Action No.1861 of 2011 was commenced by Joint China Value Investment Fund Limited against the Company for a dishonoured cheque in the amount of HK\$16,500,000 issued by the Company. The Company has contested the case vigorously. Having sought legal advices, the Directors believe that the Company has a strong defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities in this respect has been made in the consolidated financial statements.
- (b) On 19th April 2006, a High court Action No. 858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen (the "Plaintiffs") against the Company for specific performance of the agreement entered into between the Plaintiffs and the Company's former Director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK\$6,800,000 being twice of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The Plaintiffs have been dormant since end of 2008. The Directors believe that the Company has a strong defence in this action and therefore, no provision for liabilities was made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the nine months ended 31st December 2012 amounted to approximately HK\$65.8 million representing an increase of approximately 8% as compared to the corresponding period in 2011. With the revenue contribution of software licensing of approximately HK\$18.3 million (2011: nil) due to the soft-launch of the Chinese version of the InsureLink System in April 2012, the Group recorded an increase in revenue notwithstanding there was a decrease in revenue from systems development from approximately HK\$56.9 million to approximately HK\$41.5 million balancing with a slight increase in revenue from professional services fees from approximately HK\$4.2 million to approximately HK\$5.9 million.

Financial Performance

During the nine months ended 31st December 2012, the Group recorded a revenue of approximately HK\$65.8 million (2011: HK\$61 million) representing an increase of approximately 8% as compared to that of the corresponding period in 2011. Other income increased approximately to HK\$2.9 million as compared to HK\$1.9 million in the previous corresponding period, representing an increase of approximately 52%. Such increase was mainly due to the refund on the value-added tax of self-developing software from the tax department of PRC. Administrative expense was approximately HK\$24.7 million (2011: HK\$25.6 million). Earnings attributable to the shareholders were approximately HK\$0.8 million (2011: loss of HK\$12.4 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.

FUND RAISING EXERCISES CONDUCTED DURING THE PERIOD UNDER REVIEW

There were the following fund raising exercises conducted during the period under review:

- (i) On 21st November 2012, 39,000,000 new shares were placed at a price of HK\$0.20 per placing share. Net proceeds of approximately HK\$7.3 million were received as a result and, as disclosed in the Company's announcement dated 28th December 2012, HK\$5 million of which was used for financing a potential acquisition, approximately HK1.5 million as general working capital and approximately HK\$0.8 million was held as bank deposit.

Details of this placing are disclosed in the announcements of the Company dated 4th October 2012, 21st November 2012 and 28th December 2012.

- (ii) On 21st December 2012, 24,000,000 new shares were placed at a price of HK\$0.14 per placing share. Net proceeds of approximately HK\$3.13 million were received as a result and, as disclosed in the Company's announcement dated 28th December 2012, HK\$2.35 million of which was used as general working capital and balance was held as bank deposit.

Details of the this placing are disclosed in the announcements of the Company dated 13th December 2012, 14th December 2012, 21st December 2012 and 28th December 2012.

- (iii) On 28th December 2012, the Company entered into a share placing agreement with the a placing agent pursuant to which the placing agent agreed to place, on a best effort basis, to not less than six independent share placees for up to 250,000,000 new shares at a price of HK\$0.14 per placing share, for and on behalf of the Company.

The share placing is conditional upon (i) the passing of a resolution by the shareholders of the Company at the extraordinary general meeting of the Company to approve the share placing agreement and issuance of the placing shares and (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the placing shares. If such conditions are not fulfilled, the share placing will not proceed.

The net proceeds from the share placing of approximately HK\$33.8 million (assuming the placing shares are fully placed and after all relevant expenses) will be used for general working capital of the Group including financing the operations of the air ticketing business after completion of a potential acquisition and/or other possible investment opportunities.

Details of the above placing are disclosed in the announcement of the Company dated 28th December 2012.

- (iv) On 28th December 2012, the Company also entered into a warrant placing agreement with a placing agent in connection with a warrant placing, pursuant to which the placing agent agreed to place at the warrant placing price, on a best effort basis, up to 64,600,000 warrants conferring rights to subscribe for 64,600,000 warrants shares at the warrant exercise price of HK\$0.14 per warrant share to independent warrant placees. Each warrant carries the right to subscribe for one warrant share. The warrants are to be placed at a warrant placing price of HK\$0.01 per warrant.

The warrant placing is conditional upon (i) the passing of a resolution by the shareholders of the Company at the general meeting of the Company to approve the warrant placing agreement and the issue of the warrants and the warrant shares; (ii) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the warrants either unconditionally or subject to conditions to which neither the Company nor the warrant placees shall reasonably object and the satisfaction of such conditions; (iii) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the warrant placees shall reasonably object) the listing of, and permission to deal in, the warrant shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the warrants; and (iv) all necessary consents and approvals to be obtained on the part of each of the placing agent and the Company in respect of the warrant placing agreement and the transactions contemplated thereunder having been obtained. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the warrant shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the warrants. No listing of the warrants will be sought on the Stock Exchange or any other stock exchanges.

The net proceeds from the warrant placing of approximately HK\$0.54 million (after deducting relevant expenses) will be utilised by the Group as general working capital.

Assuming full exercise of the subscription rights attaching to the warrants, the net proceeds of approximately HK\$9 million (after deducting relevant expenses) will be used for general working capital of the Group including financing the operations of the air ticketing business after completion of a potential acquisition and/or other possible investment opportunities.

Details of the above placing are disclosed in the announcement of the Company dated 28th December 2012.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st December 2012, save as mentioned below, none of the Directors and chief executive has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of shares Interested	Approximate percentage of issued share capital <i>(Note 2)</i>
Mr. Ip Ho Ming	Interest of spouse	10,000	0.002%

Note:

1. Mr. Ip Ho Ming is an Executive Director.
2. As at 31st December 2012, the issued share capital of the Company is 639,938,145 shares.

Save as disclosed above, as at 31st December 2012, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31st December 2012, the following persons who had an interest or short position 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 and underlying shares of the Company

So far as is known to the Directors, as at the 31st December 2012, the following persons had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:—

Name of shareholder	Capacity	Number of shares held	percentage of shareholding (note 1)
Mr. Wong Kwong Chau (note 2)	Beneficial owner	61,500,000	9.61%
Ms. Yu Po Sau (note 2)	Interest of spouse	61,500,000	9.61%

Notes:

1. As at 31st December 2012, the issued share capital of the Company is 639,938,145 shares.
2. Mr. Wong Kwong Chau is interested in 1,500,000 shares of the Company and a convertible note entitling him to subscribe up to 60,000,000 shares of the Company. Ms. Yu Po Sau is the spouse of Mr. Wong Kwong Chau and is deemed to be interested in the shares of the Company held by Mr. Wong Kwong Chau.

Save as disclosed above, as at 31st December 2012, 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.

MATERIAL ACQUISITIONS AND SIGNIFICANT INVESTMENTS

During the period under review, the Company has been involved in the following material acquisitions:

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

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

insurance, cargo transportation insurance liability insurance and group life insurance) and reinsurance brokers service.

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

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

Pursuant to the addenda entered into between the prospective seller and the Company on 30th June 2011, 30th December 2011, 29th February 2012, 31st May 2012, 31st July 2012, 28th September 2012, 30th November 2012 and 30th January 2013, the exclusivity period in which the prospective seller shall not, whether by herself or through other third parties, discuss with any other third parties in relation to the possible acquisition has been extended to 31 March 2013.

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

Details of the above possible acquisition are disclosed in the announcements of the Company dated 30th December 2010, 6th May 2011, 30th June 2011, 30th December 2011, 6th March 2012, 31st May 2012, 28th September 2012, 30th November 2012 and 30th January 2013.

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

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

On 20th April 2011, the Company and Gold Tycoon Limited, a company incorporated in the British Virgin Islands with limited liability, entered into the memorandum of broad terms in relation to the proposed acquisition of not less than 50% of the entire issued share capital of Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability, in which the Company understood that Gold Depot Investments Limited directly or indirectly owns an exploration right and a mining right of a gold mine located in Guizhou, the PRC.

Subsequently on 17th May 2011, the Company and Gold Tycoon Limited entered into the addendum to the memorandum of broad terms to provide for the payment of HK\$25,000,000 to Gold Tycoon Limited as an interest-free refundable earnest money for the possible acquisition of not less than

50% of the entire issued share capital of Gold Depot Investments Limited and as part payment of the consideration if the definitive agreement is entered into between the Company (or its nominee) and Gold Tycoon Limited. The earnest money was paid by the Company to Gold Tycoon Limited upon signing of the addendum.

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

On 28th September 2012, the Company and Gold Tycoon Limited entered into another addendum to the memorandum of board terms to record their intention to scale down the scale of the proposed acquisition (from not less than 50% of the issued share capital of Gold Depot Investments Limited) to not more than 20% of the issued share capital of Gold Depot Investments Limited. Further, by way of such addendum and the addenda dated 29th November 2012 and 30th January 2013, the Exclusivity period had been extended to 31st March 2013.

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

Details of the above possible acquisition are disclosed in the announcements of the Company dated 20th April 2011, 17th May 2011, 17th October 2011, 30th December 2011, 29th June 2012, 28th September 2012, 29th November 2012 and 30th January 2013.

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

(iii) Acquisition of Tirack Holdings Corporation (“**Tirack**”)

On 21st November 2012, the Company entered into a sale and purchase agreement (“**SP agreement**”) with a vendor pursuant to which the Company has conditionally agreed to acquire from the vendor the entire issued share capital of Tirack together with all shareholder’s loan due from Tirack to the vendor at the consideration of HK\$110 million to be paid by a combination of cash and convertible bonds. Tirack and its subsidiaries are principally engaged in selling air tickets and hotel accommodation online in the PRC. Based on the relevant percentage ratios calculations under the GEM Listing Rules, this acquisition constituted a major transaction. It was originally scheduled that a circular containing, among other things, (i) further information on this acquisition; (ii) relevant

accountants' report; (iii) relevant pro forma financial information; (iv) relevant valuation report; (v) relevant letters from the financial adviser of the Company and the auditors of the Company and (vi) notice of the extraordinary general meeting, will be despatched to the shareholders of the Company on or before 31 December 2012. However, as additional time is required to prepare the pro-forma financial information of the enlarged Group and the indebtedness statement and other relevant information for inclusion in the circular, the despatch date of the circular was postponed to a date on or before 25 February 2013.

Details of the above acquisition are disclosed in the announcement dated 21st November 2012.

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 nine months ended 31st December 2012 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31st December 2012, none of the Directors or substantial 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.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Mr. Tang Sze Lok, Mr. Xu Jingbin and Ms. Hu Yun and Mr. Tang Sze Lok is the chairman of the audit committee.

The audit committee has reviewed the unaudited consolidated results of the Group for the three months and nine months ended 31st December 2012 and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the nine months period ended 31st December 2012, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

During the nine months period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Liu Bo

Chairman and Executive Director

Hong Kong, 8th February 2013

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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