

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 NINE MONTHS ENDED 31 DECEMBER 2013

* *For identification purpose only*

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

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

HIGHLIGHTS

- Revenue for the nine months ended 31 December 2013 amounted to approximately HK\$44.4 million representing a decrease of approximately 33% over the corresponding period in 2012.
- Loss attributable to the shareholders for the nine months ended 31 December 2013 amounted to approximately HK\$130.9 million. (2012 restated: loss of approximately HK\$27 million)
- Loss per share for the nine months ended 31 December 2013 was approximately (13.15) HK cents. (2012 restated: loss per share 5.67 HK cents)
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2013 (2012: Nil).

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 31 December 2013, together with the unaudited comparative figures for the corresponding periods in 2012, are as follows:–

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

	Notes	Unaudited Three months ended 31 December 2013		Unaudited Nine months ended 31 December 2013	
		2013 HK\$'000	2012 restated HK\$'000	2013 HK\$'000	2012 restated HK\$'000
Revenue	5	23,489	36,246	44,370	65,775
Cost of services		(18,090)	(27,934)	(36,358)	(40,702)
Gross profit		5,399	8,312	8,012	25,073
Other income	6	69	735	446	1,248
Selling and distribution expenses		(9)	(166)	(27)	(573)
Administrative expenses		(10,048)	(7,070)	(19,532)	(24,693)
Other expenses, gains and losses	7	5,269	(471)	(113,047)	(27,234)
Finance costs	8	(1,861)	(244)	(6,726)	(808)
Profit/(loss) before taxation		(1,181)	1,096	(130,874)	(26,987)
Income tax expenses	9	–	–	–	–
Profit/(loss) for the period	10	(1,181)	1,096	(130,874)	(26,987)
Other comprehensive expense for the period that may be reclassified to profit or loss					
– exchange difference arising on translation		(46)	(5)	(276)	(153)
– exchange difference reclassified to profit or loss upon disposal of a subsidiary		(172)	–	(172)	–
Total comprehensive income/(expenses) for the period		(1,399)	1,091	(131,322)	(27,140)
Profit/(loss) for the period attributable to: Owners of the Company		(1,181)	1,096	(130,874)	(26,987)
Total comprehensive income/(expenses) attributable to: Owners of the Company		(1,399)	1,091	(131,322)	(27,117)
Non-controlling interest		–	–	–	(23)
		(1,399)	1,091	(131,322)	(27,140)
Earnings/(loss) per share – basic (HK cents)	12	(0.11)	0.51	(13.15)	(5.67)

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 Room M2B2, 7/F., Kaiser Estate, Phase 3, No.11 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong. The Company's shares are listed on GEM.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's unaudited consolidated financial information for the nine months ended 31 December 2013 has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The principal accounting policies applied in preparing the unaudited consolidated financial information for the nine months ended 31 December 2013 are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

The amounts included in the unaudited consolidated financial information for the nine months ended 31 December 2013 has been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRS.

The accounting policies used in the unaudited consolidated financial information for the nine months ended 31 December 2013 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013.

The unaudited consolidated financial information for the nine months ended 31 December 2013 has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

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

4. COMPARATIVE FIGURES

During the nine months ended 31 December 2012, the 20% equity interest in Shanghai Wanquan Insurance Brokers Limited ("上海萬全保險經紀有限公司") (currently known as 上海君翊保險經紀有限公司 or Shanghai Junyi Insurance Brokers Limited) (the "Relevant Interests") which was previously classified as an associate of the Company, had been reclassified as available-for-sale investment and subsequently transferred to an independent third party on 14 August 2012 without the consent of the Company. The management of the Company was in the view that the transfer of the Relevant Interests without the consent of the Company constitutes a breach of the terms under the Declaration of Trust. Having taken all necessary steps to investigate the matter and sought all necessary legal advices concerning the incident, without prejudice to all the legal rights the Company may have, the Company and the Trustee have entered into a deed of settlement on 9 September 2013.

In view of the matters that happened subsequent to 31 March 2012, including (i) the transfer on 14 August 2012; (ii) the execution of the settlement agreement; and (iii) the doubts over the recoverability of the remaining HK\$27 million under the settlement agreement, the Company is of the view that the Relevant Interests should be impaired in full in April 2012 and a restatement for the nine months ended 31 December 2012 has been made accordingly.

5. 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 if any.

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

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Systems development	21,403	26,506	37,454	41,552
Professional services fees	2,086	3,865	6,916	5,881
Software licensing	–	5,875	–	18,342
	<u>23,489</u>	<u>36,246</u>	<u>44,370</u>	<u>65,775</u>

6. OTHER INCOME

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	7	13	29	41
Value added tax refund	1	722	336	1,207
Sundry income	61	–	81	–
	<u>69</u>	<u>735</u>	<u>446</u>	<u>1,248</u>

7. OTHER EXPENSES, GAINS AND LOSSES

	UNAUDITED			
	Three months ended		Nine months ended	
	31st December		31st December	
	2013	2012	2013	2012
	restated		restated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss/(gain) on financial assets at fair value through profit and loss	32	(36)	160	31
Impairment loss in respect of				
– trade receivables	259	1,083	280	1,083
– investment (Note a)	–	–	102,507	27,783
– deposit paid for acquisition of subsidiary (Note b)	–	–	20,000	–
Gain on change in fair value of the derivative components of convertible note	–	–	(379)	–
Gain on disposal in respect of				
– financial assets at fair value through profit and loss	–	–	(22)	(68)
– property, plant and equipment	(1,600)	–	(1,600)	–
Loss/(gain) arising from (Note c)				
– disposal of a subsidiary based on the Disposal Agreement	(7,565)	–	(7,565)	–
– deferred cash consideration	3,685	–	3,685	–
Reversal of impairment loss in respect of				
– trade receivables	–	–	(2,210)	(588)
– retention receivables	–	(142)	–	(271)
– other receivables	(80)	(434)	(1,809)	(736)
	(5,269)	471	113,047	27,234

Note

- (a) For the nine months ended 31 December 2013, the amount represents the impairment loss made on Tirack Holdings Corporation and its subsidiaries (collectively known as “Tirack”) acquired by the Company in April 2013. For details, please refer to the Company’s interim announcement for the six months ended 30 September 2013. For the nine months ended 31 December 2012, the amount mainly represents the impairment of the Relevant Interests disclosed in Note 4.
- (b) The amount represents the impairment loss made for the deposit paid for possible acquisition of FameThrive Limited. For details, please refer to p.16 and 17 of this announcement.
- (c) On 28 March 2013, the Group entered into an agreement with the purchaser (a third party) for the disposal of the Company’s 51% equity interest in a subsidiary, 上海景福保險經紀有限公司(「上海景福」, formerly known as 青島博達保險經紀有限公司) for a cash consideration of RMB20 million (equivalent to approximately HK\$25.2 million) (the “Disposal Agreement”). The completion took place in October 2013 and part of the consideration of RMB5 million was received by the Group. On 3 July 2014, the Company and the purchaser reached an agreement for the revision of terms of settlement of the outstanding disposal consideration, under which the outstanding consideration of RMB15 million will be paid by the purchaser to the Company in five equal instalments of RMB3 million over one year. As at the date of this announcement, HK\$1.2 million has been received by the Group under

the revised terms of settlement. In February 2015, the Company and the purchaser executed a new settlement agreement to revise the settlement terms in relation to the outstanding disposal consideration of HK\$17.7 million (equivalent to approximately RMB14 million) which will be paid by the purchaser to the Company in seven instalments on or before 31 March 2016. The present value of the disposal consideration is estimated by applying a discount rate of 12% per annum based on the revised terms of settlement and resulted in a loss of HK\$3.7 million. The Company will continue to follow up proactively with the purchaser for payment of the remaining amount.

	<i>HK\$ '000</i>
Net assets disposed of:	
Assets classified as held for sale	20,500
Reclassification of exchange reserve	(172)
Less: Non-controlling interest	<u>(2,693)</u>
	17,635
Gain on disposal of a subsidiary based on cash consideration per Disposal Agreement	<u>7,565</u>
Total cash consideration per Disposal Agreement	<u><u>25,200</u></u>
Gain on disposal of a subsidiary based on cash consideration per Disposal Agreement	7,565
Loss arising from deferred cash consideration based on revised settlement terms	<u>(3,685)</u>
Net gain recognised	<u><u>3,880</u></u>

The non-controlling interests recognized at the disposal date were measured at the non-controlling interests' proportional share of the fair value of the identifiable net assets which amounted to HK\$2,693,000.

8. FINANCE COSTS

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2013	2012	2013	2012
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Interest on bank borrowing due within one year	322	224	889	690
Interest on promissory note payable	300	–	976	–
Interest on convertible note	193	–	1,028	–
Interest on convertible bonds	790	–	3,519	–
Finance costs on finance lease	256	20	314	118
	<u>1,861</u>	<u>244</u>	<u>6,726</u>	<u>808</u>

9. INCOME TAX EXPENSES

- (a) Hong Kong profit tax has not been provided for in the unaudited consolidated financial information as there was no estimated assessable profit derived from Hong Kong during the nine months ended 31 December 2013 and 2012.
- (b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate is 25%.

10. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has arrived at after charging:

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs				
Salaries and other benefits	1,174	884	2,798	5,197
Retirement benefits scheme contributions	95	105	288	1,046
	<u>1,269</u>	<u>989</u>	<u>3,086</u>	<u>6,243</u>
Auditors' remuneration	140	125	420	375
Amortisation of intangible assets	1,562	4,971	4,687	15,308
Depreciation of plant and equipment	118	499	1,025	1,536
Operating leases rentals in respect of land and buildings	148	49	489	293
	<u>1,973</u>	<u>6,528</u>	<u>9,709</u>	<u>32,955</u>

11. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2013 (2012: Nil).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and nine months ended 31 December 2013 were based on the loss attributable to the owners of the Company of approximately of HK\$1,181,000 and loss of HK\$130,874,000 (2012: earnings of approximately HK\$1,096,000 and restated loss of approximately HK\$26,987,000) divided by the weighted average number of 1,083,224,000 and 995,021,000 shares for the three months and nine months ended 31 December 2013 (2012: 216,507,000 shares and 476,226,000 shares) respectively in issue during the period.

During the three and nine months ended 31 December 2013 and 2012, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings/loss per share. Hence, there was no dilutive effective on calculation of the diluted loss per share for the three months and nine months ended 31 December 2013 and 2012.

13. RESERVES

	Share Premium	General Reserve	Capital Reserve	Share Option Reserve	Exchange Translation Reserve	Warrants Reserve	Accumulated Losses	Total	Non- Controlling Interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012 (audited)	356,466	3,056	1,200	12,269	5,103	-	(74,305)	303,789	2,683	306,472
Loss for the period (restated)	-	-	-	-	-	-	(26,987)	(26,987)	-	(26,987)
Exchange difference arising on translation of foreign operations	-	-	-	-	(130)	-	-	(130)	(23)	(153)
Total comprehensive expense for the period	-	-	-	-	(130)	-	(26,987)	(27,117)	(23)	(27,140)
Issue of share upon										
– Placement of shares	39,445	-	-	-	-	-	-	39,445	-	39,445
– Unlisted warranties	-	-	-	-	-	1,148	-	1,148	-	1,148
Shares issue expenses	(1,926)	-	-	-	-	-	-	(1,926)	-	(1,926)
Unlisted warrants issue expenses	(151)	-	-	-	-	-	-	(151)	-	(151)
At 31 December 2012	<u>393,834</u>	<u>3,056</u>	<u>1,200</u>	<u>12,269</u>	<u>4,973</u>	<u>1,148</u>	<u>(101,292)</u>	<u>315,188</u>	<u>2,660</u>	<u>317,848</u>
At 1 April 2013 (audited)	385,477	3,056	1,200	1,810	6,884	1,147	(324,377)	75,197	2,693	77,890
Loss for the period	-	-	-	-	-	-	(130,874)	(130,874)	-	(130,874)
Exchange difference arising on translation of foreign operations	-	-	-	-	(276)	-	-	(276)	-	(276)
Reclassified to profit or loss upon disposal of a subsidiary	-	-	-	-	(172)	-	-	(172)	-	(172)
Total comprehensive expense for the period	-	-	-	-	(448)	-	(130,874)	(131,322)	-	(131,322)
Disposal of a subsidiary (Note 7c)	-	-	-	-	-	-	-	-	(2,693)	(2,693)
Issue of share upon										
– Placement of shares	5,130	-	-	-	-	-	-	5,130	-	5,130
– Zero coupon convertible bonds	20,199	-	-	-	-	-	-	20,199	-	20,199
Share placement expenses	(389)	-	-	-	-	-	-	(389)	-	(389)
At 31 December 2013	<u>410,417</u>	<u>3,056</u>	<u>1,200</u>	<u>1,810</u>	<u>6,436</u>	<u>1,147</u>	<u>(455,251)</u>	<u>(31,185)</u>	-	<u>(31,185)</u>

14. LITIGATION

- (a) On 12 March 2012, a High court Action No.1861 of 2011 was commenced by Joint China Value Investment Fund Limited (“Joint China”) against the Company regarding a dishonoured cheque amounted to HK\$16,500,000 issued by the Company. In October 2013, the Company obtained a court judgement under which the action taken by Joint China was dismissed.
- (b) On 19 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 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 action has been dormant since the end of 2008. The Directors believe that the Company has a strong defence in this action, accordingly, no provision for liabilities has been made in the unaudited consolidated financial information.
- (c) On 4 April 2014, the Company was served with a petition issued by a third party, Metal Winner Limited (“MWL”), under which MWL claimed that the Company was indebted to MWL in the sum of HK\$5,700,000 and petitioned that the Company be wound up. On 8 April 2014, the Company was informed by MWL’s representative that MWL intended to withdraw the winding-up against the Company and has written to the official receiver with regard to the withdrawal. However, no action was taken by the petitioner to withdraw the petition and the Company has applied to court to strike out or dismiss the petition on 10 June 2014 and the strike-out application will be heard by the Court in March 2015. Separately, the Company commenced legal proceedings in the High Court (the “Injunction Proceedings”) against two parties seeking an injunction to restrain them from presenting any petition for the winding-up of the Company or to apply to substitute MWL as petitioner in that winding-up proceedings (the “Restrained Acts”) based on the ground that the claims by these two parties against the Company are of the same or very similar nature to that of MWL. The two parties gave an undertaking to the court not to do the Restrained Acts until the resolution of the Injunction Proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue for the nine months ended 31 December 2013 amounted to approximately HK\$44.4 million representing a decrease of approximately 33% as compared to the corresponding period in 2012. Notwithstanding the decrease in the revenue of system development of approximately HK\$4 million due to the declining demand, the Group still recorded an increase in revenue from professional services at approximately 17.6% as compared to that of the corresponding period in 2012.

FINANCIAL PERFORMANCE

During the nine months ended 31 December 2013, the Group recorded a revenue of approximately HK\$44.4 million (2012: HK\$65.8 million) representing a decrease of approximately 33% as compared to that of the corresponding period in 2012. Administrative expenses decreased to approximately HK\$19.5 million as compared to approximately HK\$24.7 million of the previous corresponding period, representing a decrease of approximately 21% as compared to that of the corresponding period in 2012. Loss attributable to the shareholders was approximately HK\$130.9 million (2012: restated loss of HK\$27 million).

FUTURE PROSPECTS

The Group will continue to look for opportunities to create shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. The Group intends to broaden its perspective beyond the IT sector and potentially also invest into and/or make acquisitions in other industries (including renewable energy and other "green" businesses, the financial industry, and more traditional non-IT businesses) so long as such investments/acquisitions can bring value and are beneficial to the Company and its shareholders as a whole. In addition, it was stated previously that the Group intended to enter into the financial and financial services sector. As at the date of this announcement, the Group has already commenced its proprietary trading business. The Group also successfully renewed its money lending business recently. Trading in securities and money lending have now also become the principal businesses of the Group. The Board is of the view that these new principal businesses together with others will bring further value to the shareholders as a whole in the coming future.

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

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

- (i) The Company completed the acquisition of the entire issued share capital of Tirack Holdings Corporation (“Tirack”) on 2 April 2013. The total consideration for the acquisition of HK\$110,000,000 was settled by (i) payment in cash of HK\$25,000,000 by the Company; and (ii) issue by the Company of convertible bonds with an aggregate principal amount of HK\$85,000,000. As of the date of this announcement, convertible bonds with the principal amount of HK\$55,000,000 have been converted into 314,285,712 new shares of the Company of HK\$0.05 each. Subsequent to the date of acquisition of Tirack, the Company is unable to provide financial support, as originally planned, to enable Tirack and its subsidiaries (“Tirack Group”) to carry out their principal operations of sale of air tickets, hotel reservations and travel products online in the PRC. As a result, Tirack Group has suspended its principal operations and become inactive as at the date of this announcement.

Please refer to the announcements of the Company dated 21 November 2012 and 2 April 2013 and the circular of the Company dated 28 February 2013 for further details of the acquisition of Tirack.

- (ii) On 28 March 2013, the Group entered into an agreement with the purchaser (a third party) for the disposal of the Company’s 51% equity interest in a subsidiary, 上海景福保險經紀有限公司 (「上海景福」, formerly known as 青島博達保險經紀有限公司) for a cash consideration of RMB20,000,000. The completion took place in October 2013 and part of the consideration of RMB5,000,000 was received by the Group. On 3 July 2014, the Company and the purchaser reached an agreement for the revision of terms of settlement of the outstanding disposal consideration, under which the outstanding consideration of RMB15,000,000 will be paid by the purchaser to the Company in five equal instalments of RMB3,000,000 over one year. Since the purchaser requires time to finance the repayment, as of the date of this announcement, the Company received only HK\$1.2 million from the purchaser. In view of the real estate market in the PRC slowed down, the financial institutions of the PRC are more cautious on the loans to real estate industry, the overall financial environment continuing to be tight, leading to an overall reduction in liquidity in the PRC real estate market. In view of the above mentioned, the Company believes the purchaser did not make repayment according to the payment schedule agreed on July 2014 is caused by general market conditions. The purchaser also informed the Company that her liquidity is a bit tight approaching the Chinese New Year however she is sincere to repay the outstanding amount in full to the Company. On 16 February 2015, the Company and the purchaser executed a new settlement agreement for the terms of settlement in relation to the outstanding disposal consideration, under which the outstanding consideration of HK\$17.7 million (approximately RMB 14 million) will be paid by the purchaser to the Company with the following key terms: (i) HK\$1 million shall be paid to the Company on or before 18 February 2015 and (ii) HK\$0.5 million shall be paid to the Company on or before 27 February 2015 and (iii) HK\$0.5 million shall be paid to the Company on or before 30 April 2015 and (iv) HK\$1 million shall be paid to the Company on or before 30 June 2015 and (v) HK\$4.7 million

shall be paid to the Company on or before 30 September 2015 and (vi) HK\$5 million shall be paid to the Company on or before 31 December 2015 and (vii) HK\$5 million shall be paid to the Company on or before 31 March 2016.

Please refer to the announcement of the Company dated 1 April 2013 and 21 July 2014 for further details of the disposal.

(iii) Save as disclosed above, the Company has not completed any other material acquisitions or disposal.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2013, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2013, no long positions of the Directors and chief executive of the Company in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Save as disclosed above, as at 31st December 2013, 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 31 December 2013, the person (other than a director or chief executive of the Company) who have interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of the shareholder	Capacity	Number of shares held	Approximate percentage of shareholding (note 3)
Mr. Zhao Tuanjie (note 1)	Beneficial owner	126,461,497	11.67%
Questex Development Inc. (notes 1 and 2)	Interest of controlled corporation	114,285,715	10.55%

Notes:

1. Questex Development Inc. is a company incorporated under the laws of the Republic of Vanuatu and is held as to 100% by Mr. Zhao Tuanjie.
2. As at 31 December 2013, Questex Development Inc. held the convertible bonds issued by the Company with the principal amount of HK\$20,000,000, which could be convertible into 114,285,715 shares of the Company.
3. As at 31 December 2013, the issued share capital of the Company is 1,083,233,857 shares.

Short positions in underlying shares of the Company

As at 31 December 2013, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

As at 31 December 2013, the Directors were not aware of any person who had an interest or short position in the underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the nine months ended 31 December 2013 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 December 2013, 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 18 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 announcement, the audit committee comprises five independent non-executive directors, namely, Mr. Chan Yee Sze (Chairman of the committee), Ms. Hu Yun, Mr. Lui Wai Ming, Mr. Koh Kwing Chang and Mr. Lai Chi Leung.

The audit committee has reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2013 and has provided advice and comments thereon and discussed financial reporting matters including a review of the unaudited consolidated financial information of the Group for the nine months ended 31 December 2013 with the Directors of the Company.

CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code ("Code") contained in the Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2013.

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period under review, the role of chief executive officer was assumed by Mr. Liu Bo, who was an executive Director and the chairman of the Board.

As at the date of this announcement, the role of chairman and chief executive officer has been separated to Dr. Chew Chee Wah and Mr. Tam Kwok Leung respectively.

OTHER MATTERS

1. Wanquan – Wang Yu Sha (王雨莎)

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

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

The Company will continue to take aggressive actions, and has commenced legal proceedings in the High Court of Hong Kong against the trustee to recover the outstanding amount. Judgment for a sum of HK\$19.5 million (being the outstanding balance of the first three instalments) has been obtained against the trustee. The overall strategy of the Company is to take all reasonable and economical measures to recover the judgment debt and the remaining balance of the settlement fees in full. The Company will keep shareholders informed promptly on the progress in recovering such judgment debt and outstanding settlement fees.

2. Fame Thrive – Tse Wing Yan (謝泳欣)

On 30 December 2010, the Company and an independent third party, namely Ms. Tse Wing Yan (謝泳欣), 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 Dongda Insurance Brokerage Company Limited (“Dongda” or “東大保險經紀有限責任公司”), a company established in the PRC. Dongda 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 6 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 million 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 30 June 2011, 30 December 2011, 29 February 2012, 31 May 2012, 31 July 2012, 28 September 2012, 30 November 2012, 30 January 2013, 27 March 2013, 30 May 2013, 31 July 2013, 30 September 2013, 29 November 2013 and 30 January 2014, 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 30 April 2014.

Details of the above possible acquisition are disclosed in the announcements of the Company dated 30 December 2010, 6 May 2011, 30 June 2011, 30 December 2011, 6 March 2012, 31 May 2012, 31 July 2012, 28 September 2012, 30 November 2012, 30 January 2013, 27 March 2013, 30 May 2013, 31 July 2013, 30 September 2013, 29 November 2013 and 30 January 2014.

As mentioned above, the exclusivity period for the acquisition of Fame Thrive Limited expired on 30 April 2014.

Negotiations of the acquisition have terminated. Pursuant to the memorandum of understanding, within 3 days after expiry of the exclusivity period, the vendor shall refund the HK\$20 million earnest money to the Company. The prospective seller has failed to repay the same as at the date hereof. On 17 June 2014, the Company by immediate notice terminated the memorandum of understanding and demanded the immediate repayment of the earnest money of HK\$20 million. On 3 July 2014, the Company has again demanded the immediate payment and despite the Company's repeated demands, the prospective seller still fail to repay the earnest money.

Accordingly, the Company has instructed its legal adviser to take legal action against the prospective seller (i.e. Ms. Tse Wing Yan (謝泳欣)) and a bankruptcy petition was issued against the prospective seller in the High Court of Hong Kong on 18 November 2014. The overall strategy of the Company is to take all reasonable and economical steps to recover the earnest money. The Company will keep shareholders informed promptly on the progress in recovering the earnest money. In view of the fact that the Company has not received any repayment of the earnest money, nor any settlement agreement has been agreed, the earnest money receivable of HK\$20 million had been impaired in full in the period under review.

3. Gold Tycoon Limited

On 20 April 2011, the Company and Gold Tycoon Limited, a company incorporated in the British Virgin Islands with limited liability, entered into the memorandum of broad terms in relation to the proposed acquisition of not less than 50% of the entire issued share capital of the Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability, 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 17 May 2011, the Company and Gold Tycoon Limited entered into an addendum to the memorandum of broad terms to provide for the payment of HK\$25 million 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.

On 28 September 2012, the Company and Gold Tycoon Limited entered into an addendum to the memorandum of board terms that the scale of the possible acquisition would be reduced from not less than 50% to not more than 20% of the entire issued share capital of Gold Depot Investments Limited.

Pursuant to the addenda entered into between the Company and Gold Tycoon Limited on 17 October 2011, 30 December 2011, 29 June 2012, 28 September 2012, 29 November 2012, 30 January 2013, 27 March 2013, 30 May 2013, 31 July 2013, 30 September 2013, 29 November 2013 and 30 January 2014, the 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 has been extended to 30 April 2014.

Details of the above possible acquisition were disclosed in the announcements of the Company dated 20 April 2011, 17 May 2011, 7 October 2011, 30 December 2011, 29 June 2012, 28 September 2012, 29 November 2012, 30 January 2013, 27 March 2013, 30 May 2013, 31 July 2013, 30 September 2013, 29 November 2013 and 30 January 2014.

As mentioned above, the exclusivity period for the acquisition of Gold Depot Investments Limited expired on 30 April 2014. As stated in the Company's announcement dated 20 April 2011, the memorandum of broad terms would automatically terminate upon the expiry of the exclusivity period. The memorandum and the exclusivity period were not extended beyond 30 April 2014. Negotiations of the acquisition have also terminated.

Pursuant to the memorandum, within 3 days after expiry of the exclusive period, the vendor shall refund the HK\$25 million earnest money to the Company. The vendor has failed to repay the same as at the date of this announcement. On 28 November 2014, a settlement agreement between the Company and Gold Tycoon Limited was executed. Pursuant to the settlement agreement, Gold Tycoon Limited will repay the earnest money of HK\$25 million (the "Settlement Amount") to the Company with the following payment schedule: (i) HK\$3 million shall be paid to the Company on or before 30 April 2015, being the first installment of the Settlement Amount; (ii) HK\$3 million shall be paid to the Company on or before 31 July 2015, being the second installment of the Settlement Amount; (iii) HK\$3 million shall be paid to the Company on or before 31 October 2015, being the third installment of the Settlement Amount; (iv) HK\$4 million shall be paid to the Company on or before 31 January 2016, being the fourth installment of the Settlement Amount; (v) HK\$4 million shall be paid to the Company on or before 30 April 2016, being the fifth installment of the Settlement Amount; (vi) HK\$4 million shall be paid to the Company on or before 31 July 2016, being the sixth installment of the Settlement Amount; and (vii) HK\$4 million shall be paid to the Company on or before 31 October 2016, being the final installment of the Settlement Amount.

In view of the fact that a settlement agreement was being executed and the Company has assessed the financial capability of the vendor by examining the documents and information provided by the vendor and understood that the vendor is the major beneficial owner of the target gold mine. The Directors are of the view that the vendor would be able to repay the earnest money. The overall strategy of the Company is to take all reasonable and economical steps to recover the earnest money (including possible legal actions should the vendor fail to honor its obligations to return the earnest money). The Company will keep shareholders informed promptly on the progress in recovering the earnest money. As at the date of this announcement, HK\$500,000 has been received by the Group.

SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 2 July 2013 and will remain suspended until further notice.

On behalf of the Board
Tai Shing International (Holdings) Limited
Zhang He
Executive Director

Hong Kong, 16 February 2015

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

Executive Directors:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its publication and is available for reference on the website of the Company at www.equitynet.com.hk/8103/.