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# **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)**

### **MAJOR TRANSACTION ACQUISITION OF TIRACK HOLDINGS CORPORATION**

The Board is pleased to announce that on 21 November 2012 after trading hours, the Company entered into the SP Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire from the Vendor the entire issued share capital of the Target together with all shareholder's loan due from the Target to the Vendor as at Completion at the consideration of HK\$110 million to be paid by a combination of cash and Convertible Bonds.

Based on the relevant percentage ratios calculations under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and therefore is subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

A circular containing, among other things, (i) further information on the Acquisition; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Group upon Completion; (iv) the valuation report on Shenzhen Taoaoto; (v) the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation of Shenzhen Taoaoto and (vi) notice of the EGM, will be despatched to the Shareholders on or before 31 December 2012 so as to allow sufficient time for the preparation of the relevant financial information for inclusion in the circular.

#### **THE SP AGREEMENT**

**Date:** 21 November 2012

**Parties:**

1. Questex Development Inc. as vendor; and
2. the Company as purchaser.

The Vendor is principally engaged in investment holding. To the best information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owner are Independent Third Parties.

**Assets to be acquired**

Under the SP Agreement, the Company has conditionally agreed to acquire from the Vendor the Sale Share, representing the entire issued share capital of the Target, together with all shareholder's loan due from the Target to the Vendor as at Completion.

**Consideration**

The consideration for the Acquisition is HK\$110 million and is to be satisfied by the Purchaser in the following manner:

- (i) HK\$15 million in cash has been paid prior to the signing of the SP Agreement;
- (ii) HK\$5 million in cash to be paid upon signing of the SP Agreement;
- (iii) HK\$5 million in cash to be paid upon Completion; and
- (iv) the balance in the sum of HK\$85 million to be paid upon Completion by issuing the Convertible Bonds to the Vendor (or its nominee).

The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into consideration of (i) the preliminary indicative market value of 100% equity interest of Shenzhen Taoaoto as at 31 August 2012 of approximately RMB186 million as advised by B.I. Appraisals Limited, an independent valuation firm, (ii) the financial position of the Target Group as shown in the management accounts of the Target Group as at 31 August 2012 and (iii) the outlook of the travel industry in the PRC.

The valuation method used for the preliminary indicative value of Shenzhen Taoaoto was market approach method by applying the median price-to-earnings multiple of comparable companies to the adjusted net profit of Shenzhen Taoaoto which involve a projection of the net profit of Shenzhen Taoaoto up to February 2013. Hence the valuation constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules. Details of the valuation report together with the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation will be set out in the circular to be despatched to the Shareholders.

## **Conditions precedent**

The completion of the SP Agreement is subject to the following conditions precedent:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Target and the Company in respect of the SP Agreement and the transactions contemplated thereby having been obtained;
- (c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the SP Agreement and the transactions contemplated thereby having been obtained,
- (d) the passing by the shareholders of the Company at the EGM of an ordinary resolution to approve the SP Agreement and the transactions contemplated hereunder including but not limited to the issue of the Convertible Bonds and issue of the Conversion Shares upon conversion of the Convertible Bonds (if and to such extent required under the GEM Listing Rules);
- (e) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) in relation to the transactions contemplated under the SP Agreement;
- (f) the warranties by the Vendor set out in the SP Agreement remaining true and accurate in all respects; and
- (g) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares.

If the above conditions are not satisfied (or as the case may be, waived by the Company in respect of (a), (e) and (f) only) on or before 5:00 p.m. on 30 June 2013, or such later date as the Vendor and the Company may agree, the SP Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof. Although the Company is entitled to waive the conditions (a), (e) and (f) above, the Company has no intention of waiving the same and will not do so which would adversely affect the interest of the Company.

## **Completion**

Completion shall take place on the third Business Day after the day on which all the conditions precedent of the SP Agreement are satisfied (or the case may be, waived by the Company), or such other date as the Vendor and the Company may agree in writing.

After Completion, the Target will become a subsidiary of the Company.

## **Shareholders Agreement**

Upon Completion, the Vendor shall procure the Target and all other shareholders of the Vanuatu Subsidiary to enter into a shareholders agreement (“Shareholders Agreement”) in the agreed form to regulate the respective rights among the Vanuatu Subsidiary’s shareholders. Pursuant to the Shareholders Agreement, the board of directors of the Vanuatu Subsidiary shall consist of 3 directors, of which 2 directors shall be nominated by the Target and 1 director shall be nominated by Cheerful Holdings Corporation. The quorum for the board meeting shall be any 2 directors.

## **Convertible Bonds**

The principal terms of the Convertible Bonds are as follows:

### ***Issuer***

The Company

### ***Principal amount***

HK\$85,000,000

### ***Interest***

The Convertible Bonds do not bear any interest.

### ***Maturity***

On the 3rd anniversary of the date of issue of the Convertible Bonds.

### ***Conversion price***

The conversion price is HK\$0.175 per Share, subject to adjustments arising from share consolidation, share subdivision and capitalisation issue as provided in the terms of the Convertible Bonds.

The conversion price represents:

- (a) a discount of approximately 10.26% to the closing price of HK\$0.195 per Share as quoted on the Stock Exchange on 21 November 2012, being the date of the SP Agreement;
- (b) a discount of approximately 15.38% to the average closing price of approximately HK\$0.2068 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the SP Agreement;

The conversion price was determined after arm's length negotiations between the Company and the Vendor with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares.

### ***Conversion***

Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined under the Takeovers Code) and (ii) does not result in the Company's non-compliance with the minimum public shareholding requirement under Rule 11.23 or other similar provisions of the GEM Listing Rules, each holder of the Convertible Bonds has the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK\$100,000 or integral multiples thereof) on any business day after the date of issuance of the Convertible Bonds up to the maturity date.

### ***Ranking of Conversion Shares***

The Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

### ***Transferability***

The Convertible Bonds are freely transferable in denominations of the principal amount of HK\$100,000 subject to prior notification to the Company, provided that any transfer to a connected person of the Company shall be subject to the consent of the Company and compliance with all requirements of the GEM Listing Rules and/or the Stock Exchange.

### ***Redemption***

The Company may redeem the Convertible Bonds at 100% of the principal outstanding amount at any time from the date of issue to the maturity date. Any Convertible Bonds outstanding on the maturity date shall be redeemed by the Company at 100% of the outstanding principal amount.

### ***Listing***

No application will be made for the listing of the Convertible Bonds.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares which may fall to be issued upon conversion of the Convertible Bonds.

## EFFECT ON THE SHAREHOLDING STRUCTURE

The maximum of 485,714,285 Conversion Shares to be issued upon full conversion of the Convertible Bonds represent approximately:

- (a) 78.86% of the existing issued share capital of the Company; and
- (b) 44.09% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

The following chart sets out the effects of the Conversion Shares on the shareholding structure of the Company based on (i) the issued share capital and shareholding structure of the Company as at the date of this announcement and (ii) assuming conversion in full of the Convertible Bonds into Conversion Shares at the conversion price of HK\$0.175 per Share and (iii) assuming conversion of the Convertible Bonds into Conversion Shares at the conversion price of HK\$0.175 per Share subject to the conversion restrictions, assuming that no further issue of new Shares after the date of this announcement:

Shareholders	As at the date of this announcement		Immediately after issue and conversion of all Convertible Bonds at the conversion price of HK\$0.175 per Share (note 2)		Immediately after issue and conversion of the Convertible Bonds at the conversion price of HK\$0.175 per Share subject to the conversion restrictions	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chan Yun Sang (note 1)	200,000	0.03	200,000	0.02	200,000	0.02
Ip Ho Ming (note 1)	10,000	0.00	10,000	0.00	10,000	0.00
Vendor	0	0.00	485,714,285	44.09	262,718,267	29.90
Public shareholders	615,728,145	99.97	615,728,145	55.89	615,728,145	70.08
Total	<u>615,938,145</u>	<u>100.00</u>	<u>1,101,652,430</u>	<u>100.00</u>	<u>878,656,412</u>	<u>100.00</u>

Notes:

1. Mr Chan Yun Sang and Mr Ip Ho Ming are Directors.
2. This column is hypothetical and for illustrative purpose only as the conversion of the Convertible Bonds is subject to the conversion restrictions set out under section “Convertible Bonds” above.

## **INFORMATION ON THE TARGET GROUP**

### **The Target**

The Target is an investment holding company incorporated in the Republic of Vanuatu and is wholly owned by the Vendor. The Target has no business activity other than the holding of 55% equity interest in the Vanuatu Subsidiary.

According to the unaudited management accounts of the Target prepared under generally accepted accounting principles of Hong Kong (“HKGAAP”), the unaudited loss before and after taxation from 14 August 2012 (date of incorporation) to 31 August 2012 were both approximately HK\$6,500 and the unaudited net liability of the Target as at 31 August 2012 was approximately HK\$6,492.

### **The Vanuatu Subsidiary**

The Vanuatu Subsidiary an investment holding company incorporated in the Republic of Vanuatu and is owned as to 55% by the Target, 35% by Cheerful Holdings Corporation and 10% by Racer Inc. Cheerful Holdings Corporation is wholly owned by Mr Zhao Tuanjie. Racer Inc. and its ultimate beneficial owner are Independent Third Parties.

The Vanuatu Subsidiary has no business activity other than the holding of 100% equity interest in the HK Subsidiary.

According to the unaudited management accounts of the Vanuatu Subsidiary prepared under HKGAAP, the unaudited loss before and after taxation from 14 August 2012 (date of incorporation) to 31 August 2012 were both approximately HK\$6,500. The unaudited net liability of the Vanuatu Subsidiary as at 31 August 2012 was approximately HK\$6,492.

### **The HK Subsidiary**

The HK Subsidiary is a company incorporated in Hong Kong and is wholly owned by the Vanuatu Subsidiary. The HK Subsidiary has no business activity other than the holding of 100% equity interest in Shenzhen Taoaoto.

According to the unaudited management accounts of the HK Subsidiary prepared under HKGAAP, the unaudited loss before and after taxation from 30 September 2010 (date of incorporation) to 31 December 2010 were both approximately HK\$2,275 and the unaudited loss before and after taxation for the year ended 31 December 2011 were both approximately HK\$555. The unaudited net liability of the HK Subsidiary as at 31 August 2012 was approximately HK\$2,829.

## **Shenzhen Taoaoto**

Shenzhen Taoaoto is a company incorporated in the PRC with limited liability and is wholly owned by the HK Subsidiary. Shenzhen Taoaoto is principally engaged in the sale of air tickets, hotel reservations and travel products online in the PRC.

According to the audited accounts of Shenzhen Taoaoto prepared under generally accepted accounting principles of the PRC, there is no revenue or profit for the year ended 31 December 2010. The audited loss before and after taxation for the year ended 31 December 2011 were both approximately RMB0.29 million. The unaudited profit before and after taxation for the eight months ended 31 August 2012 were both approximately RMB13.03 million. The unaudited net assets value of Shenzhen Taoaoto as at 31 August 2012 was approximately RMB63.04 million.

## **REASONS FOR THE ACQUISITION**

The principal activities of the Group are the provision of systems development including maintenance and installation as well as consulting service, provision of professional services including information technology engineering and technical support services and licensing of information management systems targeted at insurance intermediaries.

The Acquisition allows the Group to further expand its business lines by diversifying into the travel services and air ticketing industry in the PRC. In 2012, the PRC's domestic aviation passenger market becomes the second largest in the world, while its international passenger market and international cargo market rank seventh and fourth respectively in the world. Over the five years through 2012, the revenue of the airline industry in the PRC has been growing at an annual rate of 15% to a total of RMB90.4 billion. With the increasing demand of air tickets, online air ticketing will become a commonplace due to its convenience.

The Target Group makes use of an advanced online platform and a telephone hotline system to create an efficient and comprehensive e-commerce network for suppliers, agents and customers for travel services. In view of the steady increase in domestic civil aviation passenger traffic and tourism expenditures in the PRC, the Company is of the view that the prospects of the Target Group will be promising.

The Directors are of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

After Completion, each member of the Target Group will become a subsidiary of the Company.

## **GEM LISTING RULES IMPLICATIONS**

Based on the relevant percentage ratios calculations under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and therefore is subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

In this connection, an EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the SP Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Acquisition at the EGM.

## **GENERAL**

A circular containing, among other things, (i) further information on the SP Agreement and the transactions contemplated thereunder; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Group upon Completion; (iv) the valuation report on Shenzhen Taoaoto; (v) the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation of Shenzhen Taoaoto and (vi) notice of the EGM, will be despatched to the Shareholders on or before 31 December 2012 and in compliance with the GEM Listing Rules, so as to allow sufficient time for the preparation of the relevant financial information for inclusion in the circular.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital in the Target together with all shareholder's loan pursuant to the SP Agreement
“Board”	the Board of directors of the Company
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Company”	Tai Shing International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the transactions contemplated under the SP Agreement
“Consideration”	the consideration of HK\$110 million payable by the Company to the Vendor under the SP Agreement, subject to adjustment provided therein

“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the agreed form in the principal amount of HK\$85 million to be issued by the Company in partial settlement of the Consideration
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	China Tong Lian Air Services Holdings Limited 中國通聯航空服務集團有限公司, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vanuatu Subsidiary
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	the 1 ordinary share of US\$1.00 each of and in the issued share capital of the Target held and beneficially owned by the Vendor, representing the entire issued share capital of the Target
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of the Shares

“Shenzhen Taoaoto”	深圳市淘淘通航空服務有限公司 (Shenzhen Taoaoto Air Services Co., Ltd.), an enterprise incorporated in the PRC and a direct wholly owned subsidiary of the HK Subsidiary
“SP Agreement”	the sale and purchase agreement dated 21 November 2012 made between the Vendor and the Company relating to the sale and purchase of the Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Target”	Tirack Holdings Corporation, a company incorporated in the Republic of Vanuatu with limited liability and is wholly owned by the Vendor
“Target Group”	the Target, Vanuatu Subsidiary, HK Subsidiary and Shenzhen Taoaoto
“Vanuatu Subsidiary”	Yan Shan Asia Corporation, a company incorporated in the Republic of Vanuatu with limited liability and is a 55% owned subsidiary of the Target
“Vendor”	Questex Development Inc., a company incorporated in the Republic of Vanuatu and beneficially owned by Mr Zhao Tuanjie

*The English translation of Chinese names is included for information purpose only and should not be regarded as their official English translation.*

By Order of the Board of  
**Tai Shing International (Holdings) Limited**  
**Liu Bo**  
*Executive Director*

Hong Kong, 21 November 2012

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

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

*Non-executive Director:*

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

*Independent non-executive Directors:*

Mr. Tang Sze Lok  
Mr. Xu Jingbin  
Ms. Hu Yu

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.*