

TAI SHING

Tai Shing International (Holdings) Limited 泰盛國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8103)

THIRD QUARTERLY ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

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This announcement, for which the directors of Tai Shing International (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to Tai Shing International (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- Turnover for the nine months ended 31 December 2008 amounted to approximately HK\$42.4 million representing an increase of approximately 1% over the corresponding period in 2007.
- Loss attributable to the shareholders for the nine months ended 31 December 2008 amounted to approximately HK\$2.5 million. (2007: loss HK\$10.1 million).
- Loss per share for the nine months ended 31 December 2008 was approximately 2.3 HK cents. (2007: loss per share 10.3 HK cents).
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2008.

The board of directors (the “Board”) of Tai Shing International (Holdings) Limited (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 2008, together with the unaudited comparative figures for the corresponding periods in 2007, are as follows:—

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 31 December 2008

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	4	22,197	22,234	42,393	41,817
Cost of services and merchandise sold		(20,403)	(21,318)	(39,158)	(39,493)
Gross profit		1,794	916	3,235	2,324
Other revenue		1,337	1,824	3,148	3,879
Selling expenses		(847)	(564)	(1,390)	(2,249)
General and administrative expenses		(2,254)	(3,680)	(6,372)	(8,952)
Other operating expenses	5	(91)	(4,492)	(476)	(4,492)
Loss from operations	6	(61)	(5,996)	(1,855)	(9,490)
Finance costs		(114)	(153)	(483)	(153)
Share of results of associates		—	—	(46)	—
Loss before taxation		(175)	(6,149)	(2,384)	(9,643)
Income Tax	7	(67)	(97)	(81)	(488)
Loss for the period		<u>(242)</u>	<u>(6,246)</u>	<u>(2,465)</u>	<u>(10,131)</u>
Attributable to:					
Equity holders of the Company		<u>(242)</u>	<u>(6,246)</u>	<u>(2,465)</u>	<u>(10,131)</u>
Loss per share-basic (HK cents)	9	<u>(0.2)</u>	<u>(6.3)</u>	<u>(2.3)</u>	<u>(10.3)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 24th Floor, Prosperous Commercial Building, 54-58 Jardine's Bazaar, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Basis of Preparation of Financial Statements

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

The Group's unaudited consolidated results have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 31 December 2008 and 2007 are consistent with those following the preparation of the Group's annual financial statements for the year ended 31 March 2008. 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 31 December 2008, 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 1 January 2008. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period or prior accounting periods.

4. Turnover

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

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

	UNAUDITED			
	Three months ended 31 December		Nine months ended 31 December	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Systems development	21,209	20,474	40,848	39,016
Professional services fees	988	1,760	1,545	2,801
	<u>22,197</u>	<u>22,234</u>	<u>42,393</u>	<u>41,817</u>

5. Other Operating Expenses

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Allowance for other receivables	—	4,492	—	4,492
Impairment loss recognized in respect of goodwill	—	—	169	—
Fair value losses on financial assets at fair value through	91	—	307	—
	91	4,492	476	4,492

On 1 July 2008, the Group acquired 74.5% of the share capital of Acon Enterprise Limited and its wholly owned subsidiary, Tai Shing (HK) Limited. The acquisition has no impact on revenues but contribute net loss of HK\$30,000 to the Group from 1 July 2008 to 31 December 2008.

Details of net liabilities acquired and the excess of the Group's interest in the fair value of the associates' net liabilities acquired over cost are as follows:

	<i>HK\$'000</i>
Purchase consideration:	
— Direct cost relating to the acquisition	46
Fair value of net liabilities acquired - as shown below	123
	169

The goodwill is attributable to the bargain price paid for the purchase.

The assets and liabilities arising from the acquisition are as follows:

	Fair value <i>HK\$'000</i>	Acquiree's carrying amount <i>HK\$'000</i>
Cash and cash equivalents	70	70
Other receivables	6	6
Other payable & accrual	(240)	(240)
Net liabilities	(164)	(164)
Less: 25.5% thereof	41	
Net liabilities acquired	(123)	

	<i>HK\$'000</i>
Purchase consideration settled in cash	46
Cash and cash equivalents in associates acquired	—
Cash outflow on acquisition	46

6. Loss From Operations

Loss from operations is stated after charging:

	UNAUDITED			
	Three months ended		Nine months ended	
	31 December		31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	112	200	366	600
Depreciation	359	463	1,119	1,438
Operating leases	469	421	1,379	1,521
Staff costs	5,514	4,828	13,258	16,038
Net exchange loss	—	—	9	9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. Income Tax

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	67	97	81	488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No Hong Kong profits tax has been provided in the financial statements as the group has no assessable profits arising in Hong Kong during the three months and nine months ended 31 December 2008 and 2007.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang Electronic Science & Technology Co., Ltd (“Beijing Tongfang”) is subject to PRC Enterprise Income Tax at a rate of 15% on its taxable income and is granted a 50% relief, which is effective from 1 January 2004 to 31 December 2006 (“Tax holidays”). After the Tax Holidays, Beijing Tongfang is subject to a preferential Enterprise Income Tax rate of 10% which is effective from 1 January 2007 to 31 December 2009, as it is qualified as an advanced technology enterprise.

8. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2008 (2007: Nil).

9. Loss Per Share

The calculation of basic loss per share for the three months and nine months ended 31 December 2008 were based on the loss attributable to the shareholders of approximately of HK\$242,000 and HK\$2,465,000 (2007: loss of HK\$6,246,000 and HK\$10,131,000) divided by the weighted average number of 109,190,000 shares for the three months and nine months ended (2007: 98,141,981 shares) in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months and nine months ended 31 December 2008 and 2007.

10. Reserves

There were no dilutive potential shares in issue during the three months and nine months ended 31 December 2008 and 2007, accordingly, no diluted earnings per share has been presented.

	Unaudited					
	Share Premium <i>HK\$'000</i>	General Reserve <i>HK\$'000</i>	Capital Reserve <i>HK\$'000</i>	Foreign Currency Translation Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2007	14,049	1,224	1,200	1,932	1,381	19,786
Transfer to Reserve	—	665	—	—	(665)	—
Issue of new ordinary share upon placement	9,316	—	—	—	—	9,316
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	1,578	—	1,578
Loss for the period	—	—	—	—	(10,131)	(10,131)
At 31 December 2007	<u>23,365</u>	<u>1,889</u>	<u>1,200</u>	<u>3,510</u>	<u>(9,415)</u>	<u>20,549</u>
At 1 April 2008	22,905	1,904	1,200	4,215	(19,152)	11,072
Transfer to Reserve	—	165	—	—	(165)	—
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	121	—	121
Loss for the period	—	—	—	—	(2,465)	(2,465)
At 31 December 2008	<u>22,905</u>	<u>2,069</u>	<u>1,200</u>	<u>4,336</u>	<u>(21,782)</u>	<u>8,728</u>

11. Litigation

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 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 directors believe that the Company has strong defence in this action and therefore, no provision for liabilities was made.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover for the nine months ended 31 December 2008 amounted to approximately HK\$42.4 million representing an increase of approximately 1% over the corresponding period in 2007.

In the nine months ended 31 December 2008 the Group continues to expand in the security and surveillance business in the PRC. Management is confident that this will become one of the growth areas of the Group's business in the next few years.

FINANCIAL PERFORMANCE

During the nine months ended 31 December 2008, the Group recorded a turnover of HK\$42.4 million (2007: HK\$42 million) representing an increase of approximately 1% as compared to that of the corresponding period in 2007. General and administrative expenses decrease to approximately HK\$6 million as compared to HK\$9 million of the previous corresponding period, representing a decrease of approximately 29%. Loss attributable to the shareholders was approximately HK\$2.5 million (2007: loss HK\$10.3 million).

FUTURE PROSPECTS

The main operation of the Group, supplying information technology services to major institutes such as, power plant and power grid, in China, is expected to benefit from the increase in infrastructure spending by the government.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2008, the relevant interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of director	Nature of shares interested	Number of shares interested	Approximate percentage of issued share capital
Mr. Luk Yat Hung (<i>Note</i>)	Corporate	21,542,476	19.73%
Mr. Ho Cho Hang	Personal	1,100,000	1.01%

Note: Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source Group Ltd. which in turn holds 21,542,476 shares in the Company.

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

As at 31 December 2008, no long positions of directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Save as disclosed above, as at 31 December 2008, none of the directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivative and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 December 2008, the following persons who had an interest or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:—

Long positions in shares of the Company

Name of shareholders	Note	Number of shares held	Approximate percentage of shareholding
Wide Source Group Ltd.	1	21,542,476	19.73%
Mr. Luk Yat Hung	2	21,542,476	19.73%
Resuccess Investments Ltd.	3	15,890,000	14.55%
Tongfang Co. Ltd.	4	15,890,000	14.55%
Tsinghua Holdings Co. Ltd.	5	15,890,000	14.55%
Best Jade Ltd.	6	7,190,000	6.58%
Ms. Li Luyuan	7	7,190,000	6.58%

Notes:

1. Wide Source Group Ltd. (“Wide Source”) is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 100% by Mr. Luk Yat Hung.
2. Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.
3. Resuccess Investments Ltd. is a company incorporated in the British Virgin Islands with limited liability and is owned by Tongfang Co. Ltd.
4. Tongfang Co. Ltd. will be taken to be interested in 15,890,000 shares in the Company as a result of it being beneficially interested in 100% of the issued share capital of Resuccess Investments Ltd.
5. Tsinghua Holdings Co. Ltd. will be taken to be interested in 15,890,000 shares in the Company as a result of it being beneficially interested in 33.06% of the issued share capital of Tongfang Co. Ltd.
6. Best Jade Ltd. (“Best Jade”) is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Ms. Li Luyuan.
7. Ms. Li Luyuan will be taken to be interested in 7,190,000 shares in the Company as a result of her being beneficially interested in the entire issued share capital of Best Jade which in turn holds 7,190,000 shares in the Company.

Long positions in underlying shares of the Company

As at 31 December 2008, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Short positions in shares of the Company

As at 31 December 2008, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

Short positions in underlying shares of the Company

As at 31 December 2008, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 December 2008, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares (including interests in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the nine months ended 31 December 2008 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 December 2008, none of the directors, substantial shareholders or management 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.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders, the Company has conditionally adopted and approved a share option scheme on 22 October 2003 (“New Share Option Scheme”) to replace the share option scheme adopted on 26 August 2000 (“Old Share Option Scheme”). The principal terms of the New Share Option Scheme were set out in the Appendix I to the circular of the Company dated 30 September 2003. No option has been granted by the Company under both the Old Share Option Scheme and New Share Option Scheme during the period under review or outstanding as at 31 December 2008.

The purpose of the New Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution and prospective contribution to and stronger business relationship between the selected participants and the Group.

Save as disclosed above, as at 31 December 2008, none of the directors, chief executive or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any interests or rights to subscribe for any shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

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.

The audit committee comprises four independent non-executive directors, namely, Professor Ip Ho Shing Horace, Mr. Tang Sze Lok, Mr. Yan Yonghong and Mr. Peng Iijun, 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 31 December 2008 and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the nine months period ended 31 December 2008, 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
Ho Cho Hang
Director

Hong Kong, 12 February 2009

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

Executive directors:

Mr. Ho Cho Hang

Ms. Li Wenli

Non-executive director:

Mr. Luk Yat Hung (*Chairman*)

Independent non-executive directors:

Professor Ip Ho Shing, Horace

Mr. Tang Sze Lok

Mr. Yan Yonghong

Mr. Peng Lijun

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