

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 RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER, 2006

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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 purpose only*

HIGHLIGHTS

- Turnover for the nine months ended 31 December 2006 amounted to approximately HK\$65 million representing an increase of approximately 13% over the corresponding period in 2005.
- Profit attributable to the shareholders for the nine months ended 31 December 2006 amounted to approximately HK\$10.7 million (2005: HK\$3.2 million).
- Earnings per share from continuing operations for the nine months ended 31 December 2006 was approximately 11.8 HK cents (2005: 4.3 HK cents).
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2006.

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 2006, together with the unaudited comparative figures for the corresponding periods in 2005, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the three months and nine months ended 31 December 2006

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4	28,896	27,905	65,450	58,005
Cost of services and merchandise sold		(22,331)	(22,167)	(50,102)	(46,199)
Gross profit		6,565	5,738	15,348	11,806
Other revenue		1,521	1,898	4,225	4,052
Selling expenses		(799)	(1,145)	(2,171)	(4,068)
General and administrative expenses		(2,067)	(4,298)	(6,359)	(9,052)
Profit from operations	5	5,220	2,193	11,043	2,738
Finance costs		—	17	—	(19)
Others gains-net		—	—	—	2,282
Profit from ordinary activities before taxation		5,220	2,210	11,043	5,001
Income tax	6	(127)	(481)	(330)	(538)
Profit before the period from continuing operations		5,093	1,729	10,713	4,463
Discontinued operations:					
Profit for the period from discontinued operations		—	52	—	129
Profit for the period		5,093	1,781	10,713	4,592
Attributable to:					
Equity holder to the parent		5,093	1,355	10,713	3,198
Minority interest		—	426	—	1,394
		5,093	1,781	10,713	4,592
Earnings per share	8				
From continuing and discounted operations - basic (HK cents)		5.6	1.8	11.8	4.3
From continuing operations - basic (HK cents)		5.6	1.7	11.8	4.1

NOTES TO THE INCOME STATEMENTS

1. General Information

Tai Shing International (Holdings) Limited (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 2006 and 2005 are consistent with those following the preparation of the Group’s annual financial statements for the year ended 31 March 2006. The Consolidated results are unaudited but have been reviewed by the Company’s audit committee.

3. Adoption of New and Revised HKFRSs

In the nine months ended 31 December 2006, 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 2006. 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 the 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		Unaudited Six months ended 31 December	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
<i>Continuing operations</i>				
Systems development	26,933	27,802	62,397	57,452
Professional services fees	1,963	103	3,053	553
	<u>28,896</u>	<u>27,905</u>	<u>65,450</u>	<u>58,005</u>
<i>Discontinuing operations</i>				
Training fees	—	73	—	191
	<u>—</u>	<u>73</u>	<u>—</u>	<u>191</u>

5. Profit from operation

Profit from operation is stated after charging/(crediting):

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Auditors' remuneration	341	300	681	400
Depreciation	486	459	1,409	1,361
Finance costs - bank interests	—	(17)	—	10
Operating leases	521	520	1,684	1,727
Staff costs	4,292	6,142	11,135	13,116
Net exchange (gain)/loss	<u>2</u>	<u>—</u>	<u>2</u>	<u>30</u>

6. Income tax

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC enterprise income tax	<u>127</u>	<u>481</u>	<u>330</u>	<u>538</u>

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2006 and 2005 as the Group has no assessable profits arising in Hong Kong during those periods.

Pursuant to the relevant laws and regulation in the PRC, Beijing Tongfang Electronic Science & Technology Company Limited 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.

7. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2006 (2005: Nil).

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company for the three months and nine months ended 31 December 2006 is based on the profit attributable to equity holders of the Company of approximately HK\$5,093,000 and HK\$10,713,000 (2005: HK\$1,355,000 and HK\$3,198,000) and the weighted average number of 90,995,000 (2005: 75,105,000) ordinary shares in issue during the period.

From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company for the three months and nine months ended 31 December 2006 is based on the profit attributable to equity holders of the Company of approximately HK\$5,093,000 and HK\$10,713,000 (2005: HK\$1,303,000 and HK\$3,069,000) and the weighted average number of 90,995,000 (2005: 75,105,000) ordinary shares in issue during the period.

From discontinued operation

Basic earnings per share for the discontinued operation for both the three months and nine months ended 31 December 2006 is nil per share (2005: 0.1 HK cents and 0.2 HK cents per share) based on the profit for the periods from discontinued operation of nil (2005: HK\$52,000 and HK\$129,000) and the weighted average number of 90,995,000 (2005: 75,105,000) ordinary shares in issue during the periods.

(b) **Diluted earnings per share**

There were no dilutive potential shares in issue during the three months and nine months ended 31 December 2006 and 2005, accordingly, no diluted earnings per share has been presented.

9. Reserves

Movements in reserves for the nine months ended 31 December 2006 and 2005 are as follows:

	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 profits/ (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	14,049	466	1,200	235	4,603	20,553
Transfer to Reserve	—	748	—	—	—	748
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	1,173	—	1,173
Profit for the period	—	—	—	—	9,816	9,816
At 31 December 2006	<u>14,049</u>	<u>1,214</u>	<u>1,200</u>	<u>1,408</u>	<u>14,419</u>	<u>32,290</u>
At 1 April 2005	12,270	—	1,200	(763)	(6,372)	6,335
Profit for the period	—	—	—	—	3,198	3,198
Acquired on subsidiaries	—	—	—	260	—	260
At 31 December 2005	<u>12,270</u>	<u>—</u>	<u>1,200</u>	<u>(503)</u>	<u>(3,174)</u>	<u>9,793</u>

10. 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 the double 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 strongly believe that the Company has reasonable good defence in this action and therefore, no provision for liabilities were made.

BUSINESS REVIEW

Turnover for the nine months ended 31 December 2006 amounted to approximately HK\$65 million representing an increase of approximately 13% over the corresponding period in 2005.

Beijing Tongfang Electronic Science and Technology Company Limited (“Beijing Tongfang”), the main operating unit of the Group, continue to experience strong demand for its power plant operations and management software. In the nine months ended 31 December 2006, the Group was awarded a number of major projects including the provision of power plant simulation software to Guohua Taicang Electric Power Co., Ltd, Shangdong Zhongshi Electric Power General Corporation, and the provision of management software to Guizhou Power Grid Corporation, Shandong Lubei Electric Power Co., Ltd..

FINANCIAL PERFORMANCE

During the nine months ended 31 December 2006, the Group recorded a turnover of HK\$65 million (2005: HK\$58 million) representing an increase of approximately 13% as compared to that of corresponding period in 2005. 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 30%. The profit attributable to the shareholders amounted to approximately HK\$10.7 million (2005: approximately HK\$3.2 million).

FUTURE PROSPECTS

The Board expects the Group to continue to benefit from the construction of power plants and the moderation of the existing power plants in the PRC.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2006, 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 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	23.67%
Mr. Ho Cho Hang	Personal	1,100,000	1.21%

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 the entire 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 2006, 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 2006, 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 derivatives 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 2006, the following persons who had an interest or a short position in the shares of the Company 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	23.67%
Mr. Luk Yat Hung	2	21,542,476	23.67%
Resuccess Investments Limited	3	15,890,000	17.46%
Tongfang Co. Limited	4	15,890,000	17.46%
Tsinghua Holdings Company Ltd.	5	15,890,000	17.46%
Best Jade Ltd.	6	7,190,000	7.90%
Ms. Li Luyuan	7	7,190,000	7.90%

Notes:

1. Wide Source Group Ltd. ("Wide Source") is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned 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 Limited is a company incorporated in the British Virgin Islands with limited liabilities and is owned by Tongfang Co. Limited.
4. Tongfang Co. Limited 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 Limited.
5. Tsinghua Holdings Company 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. Limited.
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 2006, 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 2006, 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 2006, 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 2006, 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 2006 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 December 2006, none of the directors, management shareholders 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.

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 (the "New Scheme") to replace the share option scheme adopted on 26 August 2000 (the "Old Scheme"). The principal terms of the New 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 Scheme and the New Scheme during the period under review or outstanding as at 31 December 2006.

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

Save as disclosed above, as at 31 December 2006, 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 in 18 May 2000 with written terms of reference in compliance with 5.28 and 5.33 of the Listing Rules. The Audit Committee comprises 4 Independent Non-executive Directors of the Company, one of them has the appropriate professional qualifications, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Chung Shui Ming, Timpson and the other members are Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun.

The Audit Committee reviews the internal accounting procedures, considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, fees to be paid to the independent auditors and the performance of the independent auditors.

The unaudited consolidated results of the Group for the three months and nine months ended 31 December 2006 have been reviewed by the Audit Committee.

BOARD PRACTICES AND PROCEDURES

Up to the nine months period ended 31 December 2006, 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.

By Order of the Board
Li Wenli
Director

Hong Kong, 9 February 2007

As at the date of announcement, 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:

Mr. Chung Shui Ming, Timpson

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Peng Lijun

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