

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 NINE MONTHS ENDED 31 DECEMBER 2005

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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 2005 amounted to approximately HK\$58.2 million representing an increase of approximately 358% over the corresponding period in 2004.
- Profit attributable to the shareholders for the nine months ended 31 December 2005 amounted to approximately HK\$3.2 million. The Group sustained a loss of approximately HK\$0.69 million over the corresponding period in 2004.
- Earnings per share for the nine months ended 31 December 2005 was approximately 4.26 HK cents. Loss per share for the nine months ended 31 December 2004 was approximately 1.26 HK cents.
- The Board does not recommend the payment of any dividend for the nine months ended 31 December 2005.

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 2005, together with the unaudited comparative figures for the corresponding periods in 2004, are as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the three months and nine months ended 31 December 2005

	Note	Three months ended 31 December		Nine months ended 31 December	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	27,978	9,238	58,196	12,676
Cost of services and merchandise sold		(22,188)	(6,576)	(46,261)	(9,421)
Gross Profit		5,790	2,662	11,935	3,255
Other revenue	3	1,898	64	4,052	64
Selling expenses		(1,145)	(202)	(4,068)	(202)
General and administrative expenses		(4,298)	(910)	(9,052)	(2,663)
Profit / (Loss) from operations	4	2,245	1,614	2,867	454
Finance costs		17	(137)	(19)	(140)
Other gains-net	5	—	—	2,282	5
Profit / (Loss) before taxation		2,262	1,477	5,130	319
Taxation	6	(481)	(500)	(538)	(500)
Profit / (Loss) for the period		1,781	977	4,592	(181)
Attributable to:					
Equity holder of the Company		1,355	473	3,198	(685)
Minority Interest		426	504	1,394	504
		1,781	977	4,592	(181)
Earnings / (Loss) per share — basic (HK cents)	7	1.80	0.72	4.26	(1.26)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. Basis of presentation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and 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 “GEM Listing Rules”). The accounting policies and methods of computation used in the preparation of this unaudited condensed financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2005, except in relation to the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the current period’s financial statements.

The change to the Group’s accounting policies and the effect of adopting these new HKFRSs are set out in the unaudited interim report of the Group for the six months ended September 2005 approved for issue by the Board of Directors on 4 November 2005.

2. Turnover

The principal activities of the Group are the provision of systems development, sales of software and hardware products, provision of professional services and provision of training services. Turnover represents income arising from the provision of systems development and consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales of software and hardware products.

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2005	2004	2005	2004
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<i>Principal activities</i>				
System development	27,795	8,753	57,444	10,729
Sales of software and hardware products	8	—	8	11
Professional services fees	103	393	553	1,769
Training fees	72	92	191	167
	27,978	9,238	58,196	12,676

3. Other revenue

	Nine months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Gain on disposal of investment securities	1,180	—
Value added tax refund	2,863	—
Others	9	64
	<u>4,052</u>	<u>64</u>

4. Profit/(Loss) from operations

Profit/(Loss) from operations is stated after charging /(crediting):

	Three months ended		Nine months ended	
	31 December		31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	300	—	400	127
Depreciation	459	115	1,361	129
Finance costs -bank interests	(17)	137	10	140
Operating leases	520	122	1,727	212
Staff costs	6,142	1,825	13,116	5,089
Net exchange (gain)/loss	—	—	30	—
	<u>—</u>	<u>—</u>	<u>30</u>	<u>—</u>

5. Other gain-net

	Nine months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Sales proceed on disposal of Hung Luen	3,746	—
Carrying value of Hung Luen	(1,421)	—
Direct cost relating to the disposal	(881)	—
	<u>1,444</u>	<u>—</u>
Gain on disposal	1,444	—
Excess of The Group's interest in fair value of the subsidiary's net assets acquired over cost*	2,165	—
Less: Impairment loss on Tung Hing**	(1,303)	—
Exchange loss	(24)	—
	<u>2,282</u>	<u>—</u>

* On 15 September 2005, the Group acquired the entire issued equity capital of Pacific Heights. The sole asset of Pacific Heights was its indirect 25% interest in Beijing Tongfang.

Beijing Tongfang has been a non-wholly owned subsidiary of the Group prior to the above mentioned acquisition and its accounts have been consolidated in the interim accounts of the Group to 30 September 2005. The acquisition has no impact on revenues and net profit of the Group for the period to 30 September 2005.

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

	<i>HK\$'000</i>
Purchase consideration:	
- Fair value of shares disposed of	3,746
Fair value of net assets acquired - as shown below	<u>(5,911)</u>
The excess of the Group's interest in the fair value of the subsidiary's net assets acquired over cost	<u><u>(2,165)</u></u>

The negative 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	9,287	9,287
Fixed assets	9,187	9,187
Trade receivables	31,270	31,270
Amount due fro customers	725	725
Other receivables and prepayments	31,504	31,504
Inventories	25,485	25,485
Trade payables	(38,696)	(38,696)
Amount due to customers for contracts	(2,778)	(2,778)
Others payables and accruals	(41,586)	(41,586)
Tax payable	<u>(754)</u>	<u>(754)</u>
Net assets	23,644	<u>23,644</u>
Less: 75% thereof	<u>(17,733)</u>	
Net assets acquired	<u><u>5,911</u></u>	
Purchase consideration settled in cash and cash equivalents in subsidiary acquired [†]		<u>—</u>
Cash inflow on acquisition		<u><u>—</u></u>

[†] As mentioned above the accounts of Beijing Tongfang have been consolidated in the interim accounts of the Group to 30 September 2005, the acquisition has no impact on cash and cash equivalent of the Group.

Name	Business structure	Place of incorporation	Principal activities	Registered capital	Percentage of interest held	Carrying value at 31 March 2005 HK\$'000
甘肅同興智能科技發展有限公司 ("Tung Hing")	Corporate	The People's Republic of China	Research, development and provision of information- on-demand system solutions, telecommunication and broadcasting media, network solutions and provision of related products and services	RMB 11.4 million	12.11%	1,303

Tung Hing sustained an operating loss in 2004. Its business has not improved in 2005. The Group does not expect to receive any dividend (the only cash flow) from it until its business improved substantially. Therefore the Group has recognised a loss in Tung Hing of HK\$1,303,000 as impairment loss. The loss has been included in "Other gain-net" in the income statement.

6. Taxation

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 2005 and 2004.

The provision the PRC taxation is based on the estimated taxable income for PRC taxation purpose for the year at the appropriate current rate of taxation.

A Group's subsidiary, Beijing Tongfang Electronic Science & Technology Company Limited, operated in the PRC was adjudicated as an Advanced Software Enterprise by the PRC government authority, the subsidiary is entitled to 10% Foreign Enterprise Income tax (instead of the tax rate of 13.5%).

7. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share for the three months and nine months ended 31 December 2005 were based on the profit attributable to the shareholders of approximately of HK\$1,355,000 and HK\$3,198,000 (2004: profit of HK\$473,000 and loss of HK\$685,000) divided by the weighted average number of 75,105,000 shares for the three months and nine months ended (2004: 65,615,000 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 2005. On 18 September 2004, 18,160,000 new ordinary shares of HK\$0.05 each were issued at HK\$0.50 to an independent third party as consideration for the acquisition of interest in a subsidiary. These shares rank par passu in all respect with the existing ordinary shares of the Company.

8. Reserves

Movements in reserves for the nine months ended 31 December 2005 and 2004 are as follows:

	Share Premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>12,270</u>	<u>1,200</u>	<u>(503)</u>	<u>(3,174)</u>	<u>9,793</u>
At 31 December 2005	<u>12,270</u>	<u>1,200</u>	<u>(503)</u>	<u>(3,174)</u>	<u>9,793</u>
At 1 April 2004	2,580	1,200	(770)	(4,373)	(1,363)
Loss for the period	—	—	26	(685)	(659)
Issue of new shares	8,172	—	—	—	8,172
	<u>10,752</u>	<u>1,200</u>	<u>(744)</u>	<u>(5,058)</u>	<u>6,150</u>
At 31 December 2004	<u>10,752</u>	<u>1,200</u>	<u>(744)</u>	<u>(5,058)</u>	<u>6,150</u>

9. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2005 (2004: Nil).

10. Related Party Transactions

During the nine months to 31 December 2005 the Group purchased software amounted to HK\$14,428 (2004 - nil) from Tsinghua Tongfang Co. Ltd., a related company of the Company. The board of directors consider that the purchase from the related company was transacted on normal commercial terms similar to those offered to other independent third parties.

MANAGEMENT 'S DISCUSSION AND ANALYSIS

Business Review

Turnover for the nine months ended 31 December 2005 amounted to approximately HK\$58 million representing an increase of approximately 358% over the corresponding period in 2004. The increase is mainly due to the consolidation of the results from Beijing Tongfang Electronic Science and Technology Company Limited (“Beijing Tongfang”).

The demand for integrated management information system and simulation system by power plant and power provision companies in China remains strong in the period under review. Looking forward, the Company is preparing itself for an increase in demand from nuclear power plants in years ahead.

Financial Performance

During the nine months ended 31 December 2005, the Group recorded a turnover of approximately HK\$58 million (2004: HK\$12.7 million) representing an increase of approximately 358% as compared to that of corresponding period in 2004.

Gross profit for the nine months ended 31 December 2005 of approximately HK\$12 million is about 267% higher than that for the corresponding period in 2004. Gross margin of 21% for the quarter is similar to that of the second quarter.

Profit attributable to the shareholders was approximately HK\$2.7 million (2004: loss HK\$0.69 million). The improvement in profit was partly due to gains on the disposal of Hung Luen and the negative goodwill on the acquisition of an additional 25% of Beijing Tongfang (for details of these transactions please refer to note 5 of the accounts).

Material Acquisitions and Significant Investments

With the shareholders' approval granted at the extraordinary general meeting on 12 September 2005, the Company has successfully completed the acquisition of the entire issued share capital of Pacific Heights on 15 September 2005 for a consideration of HK\$3,745,500 satisfied by transferring the entire equity interest in Top Gallant to the seller. At the same extraordinary general meeting, shareholders of the Company approved the acquisition of an additional 35% indirect interest in Beijing Tongfang for HK\$5,243,700. The acquisition was completed in January 2006 with the consideration satisfied by the Company by the issue and allotment of 15,890,000 shares of the Company. Details of the two transactions were set out in the circular of the Company dated 26 August 2005.

Disposals

Subsequent to the review period, on 25 January 2006, the Company disposed of Absolute Great Technology Limited and Systek Research Limited for a total consideration of HK\$160,000. Details of the disposals will be set out in a circular of the Company to be dispatched to shareholders in a latter date.

Future Prospects

On completion of the acquisitions and disposals mentioned above, the Group will have transformed itself into a major provider of management information system for power plants in the PRC. Your board will continue to look for growth opportunities both internally and through acquisition to take advantage of the rapidly expanding energy market of the PRC.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2005, 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	Number of ordinary shares held			Total	Percentage of issued share capital
	Personal	Family	Corporate		
Mr. Luk Yat Hung (<i>Note</i>)	—	—	21,542,476	21,542,476	23.67%
Mr. Ho Cho Hang	1,100,000	—	—	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 50% 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 2005, 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 2005, 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 2005, 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	23.67%
Mr. Luk Yat Hung	2	21,542,476	23.67%
Mr. Ma Bing	3	21,542,476	23.67%
Best Jade Ltd.	4	7,190,000	7.90%
Ms. Li Luyuan	5	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 ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and as to 50% by Mr. Ma Bing.
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 50% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.
3. Mr. Ma Bing will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.
4. 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.
5. 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 2005, 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 2005, 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 2005, 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 2005, 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 2005 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 December 2005, 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 2005.

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 2005, 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, Mr. Chung Shui Ming Timpson, Professor Ip Ho Shing Horace, Mr. Yan Yonghong and Mr. Peng Lijun, and Mr. Chung Shui Ming Timpson is the chairman of the audit committee.

The audit committee has reviewed this interim results and has provided advice and comments thereon.

BOARD PRACTICES AND PROCEDURES

Up to the nine months period ended 31 December 2005, 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, except that:

A4.2 Not all Directors are subject to retirement by rotation at least once every three years; and

B1.1 The Company established a remuneration committee with written terms of reference in compliance with the GEM Listing Rule on 31 October 2005.

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

Luk Yat Hung

Chairman

Hong Kong, 14 February 2006

As at the date of announcement, the Board comprises the following directors:

Executive Directors:

Mr. Luk Yat Hung (*Chairman*)

Mr. Ho Cho Hang

Ms. Li Wenli

Independent Non-executive Directors:

Mr. Chung Shui Ming, Timpson

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Peng Lijun

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