

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)

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This document, 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 document 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 document misleading; and (3) all opinions expressed in this document 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 three months ended 30 June 2005 amounted to approximately HK\$19.393 million representing an increase of approximately 994% over the corresponding period in 2004.
- Loss attributable to the shareholders for the three months ended 30 June 2005 amounted to approximately HK\$0.103 million (2004: HK\$0.265 million) representing a decrease of approximately 61.1% over the corresponding period in 2004.
- Loss per share for the three months ended 30 June 2005 was approximately 0.14 HK cents.
- The Board does not recommend the payment of any dividend for the three months ended 30 June 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 ended 30 June 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 ended 30 June 2005

		Three months ended	
		30 June	
	<i>Note</i>	2005	2004
		HK\$'000	HK\$'000
Turnover	2	19,393	1,772
Cost of services and merchandise sold		<u>(15,658)</u>	<u>(1,507)</u>
Gross Profit		3,735	265
Other revenue		652	—
Research and development costs		—	—
Selling expenses		(1,509)	—
General and administrative expenses		<u>(2,300)</u>	<u>(528)</u>
Profit / (loss) from operations	3	578	(263)
Finance cost		(45)	(2)
Gain / (Loss) on disposal of subsidiaries		<u>—</u>	<u>—</u>
Profit / (Loss) from ordinary activities before taxation		533	(265)
Taxation	4	<u>(31)</u>	<u>—</u>
Profit / (Loss) from ordinary activities after taxation		502	(265)
Minority interests		<u>605</u>	<u>—</u>
Profit / (loss) attributable to the shareholders		<u>(103)</u>	<u>(265)</u>
Earnings / (Loss) per share — basic (HK cents)	6	<u>(0.14) cents</u>	<u>(0.64) cents</u>

NOTES TO THE INCOME STATEMENTS

1. Basis of presentation

The unaudited condensed consolidated financial results of the Group (the “financial statements”) have been prepared in accordance with the Statement of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of the Companies Ordinance (Chapter 32, the Laws of Hong Kong) and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the audited annual accounts for the year ended 31 March 2005.

All significant intra-group transactions and balances have been eliminated in the preparation of the financial statements.

2. Turnover

The principal activities of the Group are the provision of systems development and integration, 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 integration and consultancy services, provision of IT engineering and technical support services, the sales of software and hardware products and the provision of training courses.

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 30 June	
	2005 HK\$'000	2004 HK\$'000
<i>Principal activities</i>		
Systems development and integration	19,050	902
Sales of software and hardware products	—	11
Professional services fees	281	818
Training fees	62	41
	<u>19,393</u>	<u>1,772</u>

3. Profit / (loss) from operations

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

	Unaudited	
	Three months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
<i>Crediting</i>		
Interest income	<u>—</u>	<u>—</u>
<i>Charging</i>		
Auditors' remuneration	—	—
Depreciation	15	7
Finance costs — bank interests	45	2
Operating lease	44	42
Staff costs	<u>3,811</u>	<u>1,761</u>

4. Taxation

	Unaudited	
	Three months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
The Company and subsidiaries		
Hong Kong profit tax	—	—
PRC income tax provision for PRC income tax for the period at 10%	<u>31</u>	<u>—</u>
	<u>31</u>	<u>—</u>

No provision for Hong Kong profits tax has been made for the three months ended 30 June 2005 and 2004 as the Group sustained losses for taxation purpose during both periods.

The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes 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%).

5. Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2005 (2004: Nil).

6. Earnings / (loss) per share

The calculation of basic loss per share for the three months ended 30 June 2005 was based on the loss of approximately of HK\$103,000 attributable to the shareholders (2004: loss of HK\$265,000) divided by the weighted average number of 75,105,000 for the three months (2004: 41,717,800 as restated) in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months ended 30 June 2005 and 2004.

7. Reserves

Movements in reserves for the nine months ended 30 June 2005 and 2004 are as follows:

	Share premium	Capital reserve	Unaudited Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2005	12,270	1,200	(763)	(6,372)	6,335
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	—	(6)	—	(6)
Loss for the period	—	—	—	(103)	(103)
Issue of new shares	—	—	—	—	—
At 30 June 2005	<u>12,270</u>	<u>1,200</u>	<u>(769)</u>	<u>(6,475)</u>	<u>6,226</u>
At 1 April 2004	2,580	1,200	(770)	(4,373)	(1,363)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	—
Loss for the period	—	—	—	(265)	(265)
At 30 June 2004	<u>2,580</u>	<u>1,200</u>	<u>(770)</u>	<u>(4,638)</u>	<u>(1,628)</u>

BUSINESS REVIEW

Turnover for the three months ended 30 June 2005 amounted to approximately HK\$19.393 million representing an increase of approximately 994% 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”).

Beijing Tongfang, the main operating unit of the Tongfang Group, is principally engaged in research, development and provision of integrated management information system for application in electricity generation and power plant operations; as well as total solutions for application in banking business including customer relationship management, office automation, branch operation, cash management, credit management, data interchange, phone banking and Internet banking. During the period under review, turnover from Beijing Tongfang amounted to HK\$18.346 million.

In May 2005, our integrated management information system for application in electricity generation and power plant operations has obtained the certificate of the China Torch Program. The continue strong demand for integrated management information system and simulation system by power plant and power provision companies in China, has provided the Company with ample market opportunities.

In response to demand in Southern China we established an office in Zhuhai in May 2005. With better representation and quicker response time, we should be well placed to source deals in this region.

During the period under review, our operation in Hong Kong continued to sustain an overall drop in market share and margin. Nonetheless, Beijing Tongfang has successfully secured a contract to provide office management system for a company in Hong Kong. This signifies the first overseas sale by Beijing Tongfang.

The Board will continue to review the existing operations and cost structure of the Company, with a view of expanding in growth area and further tightening our loss making operation.

Subsequent to the period under review, on 22 July 2005, the Company entered into an agreement to acquire additional interest in Beijing Tongfang by way of issue of 15,890,000 shares of the Company, and on 4 August 2005, the Company entered into another agreement to acquire further effective interest in Beijing Tongfang by way of transfer from the Company its entire equity interest in Top Gallant which sole asset is the investment in 40% of the equity interest in 北京中廣鴻聯網絡技術有限公司. Upon completion of the two acquisitions, Beijing Tongfang will become a wholly-owned subsidiary of the Company. Please refer to the Company’s announcements dated 25 July 2005 and 5 August 2005 for details of the two acquisitions.

FINANCIAL PERFORMANCE

During the three months ended 30 June 2005, the Group recorded a turnover of HK\$19.393 million (2004: HK\$1.772 million) representing an increase of approximately 994% as compared to that of corresponding period in 2004. General and administrative expenses were

increased to approximately HK\$2.3 million as compared to HK\$0.528 million of the previous corresponding period, representing an increase of approximately 336%. The loss attributable to the shareholders amounted to approximately HK\$0.103 million (2004: HK\$0.265 million) representing an improvement of approximately 61.1% over the same period in 2004.

FUTURE PROSPECTS

The Board will continue to improve the financial performance of the Group by simplifying the organization structure, tightly controlling the expenses, executing strategic acquisitions and disposing of unprofitable businesses. In general, the directors remain cautiously optimistic about the prospects of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 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 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	28.68%

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 30 June 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 30 June 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 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 30 June 2005, 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 Interested	Approximate Percentage of shareholding
Wide Source Group Ltd.	1	21,542,476	28.68%
Mr. Luk Yat Hung	2	21,542,476	28.68%
Mr. Ma Bing	3	21,542,476	28.68%
Best Jade Ltd.	4	9,390,000	12.5%
Ms. Li Luyuan	5	9,390,000	12.5%

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 9,390,000 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 9,390,000 shares in the Company.

Long positions in underlying shares of the Company

As at 30 June 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 30 June 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 30 June 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 30 June 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 three months ended 30 June 2005 or at any time during such period.

DIRECTORS’ COMPETING INTERESTS

As of 30 June 2005, 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 30 June 2005.

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 30 June 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 5.33 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. Mr. Chung Shui Ming, Timpson is the chairman of the audit committee.

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

BOARD PRACTICES AND PROCEDURES

Up to the three months ended 30 June 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three 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
Luk Yat Hung
Chairman

Hong Kong, 10 August 2005

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

Executive Directors:

Mr. Luk Yat Hung (Chairman)

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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