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# **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)**

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF A 35% INTEREST IN TONGFANG ELECTRONIC (HONG KONG) COMPANY LIMITED**

On 22 July 2005, the Company and the Vendor entered into the Acquisition Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Vendor's entire interest in 35% of the issued share capital of the Target, for a total consideration of approximately HK\$5.2 million.

The consideration was arrived at after arm's length negotiation between the Company and the Vendor, which will be satisfied by the Company at Completion by the issue and allotment of 15,890,000 Consideration Shares, representing approximately 21.2% of the existing issued share capital of the Company and approximately 17.5% of the enlarged issued share capital of the Company upon Completion, at an issue price of HK\$0.33 per Consideration Share. Based on the closing price of HK\$0.28 per Share on 21 July 2005, being the last trading day for the Shares immediately before trading in the Shares was suspended pending the release of this announcement, the market value of the Consideration Shares was approximately HK\$4.4 million. As at the date of the announcement, the Vendor does not have any shareholding interest in the Company.

Target is an indirect non-wholly owned subsidiary of the Company and the Vendor is a substantial shareholder of the Target. As such, the Vendor is a connected person of the Company. The Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 19.06(5) and Rule 19.22 of the GEM Listing Rules and a connected transaction for the Company pursuant to Rule 20.13 (1)(a) of the GEM Listing Rules. Accordingly, the Acquisition is subject to the approval of the independent Shareholders on which voting shall be taken by poll. As no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the EGM.

\* For identification purpose only

An Independent Board Committee will be established to consider the Acquisition and to advise the independent Shareholders regarding the Acquisition. An independent financial adviser will also be appointed to advise the Independent Board Committee and the independent Shareholders regarding the Acquisition. A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) the advice of the independent financial adviser (which will be appointed in due course) to the Independent Board Committee and the independent Shareholders in relation to the Acquisition; and (iv) a notice convening the EGM, will be dispatched to the Shareholders within 21 days after publication of this announcement pursuant to the GEM Listing Rules.

**Shareholders and potential investors in the Company should note that Completion, which is subject to a number of conditions precedent, may or may not take place. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 22 July 2005 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30a.m. on 26 July 2005.

## **THE ACQUISITION AGREEMENT DATED 22 JULY 2005**

### **Parties to the Acquisition Agreement**

Vendor: Tsinghua Tongfang Co. Limited, which legally and beneficially holds 35% interest in the issued share capital of the Target as at the date of this announcement.

The Vendor is a company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange. The Vendor and its subsidiaries are principally engaged in the information technology, power and environmental protection, applied nuclear electronic technology, and bio-pharmaceutical businesses.

As at the date of this announcement, the Vendor does not have any shareholding interest in the Company.

Purchaser: the Company

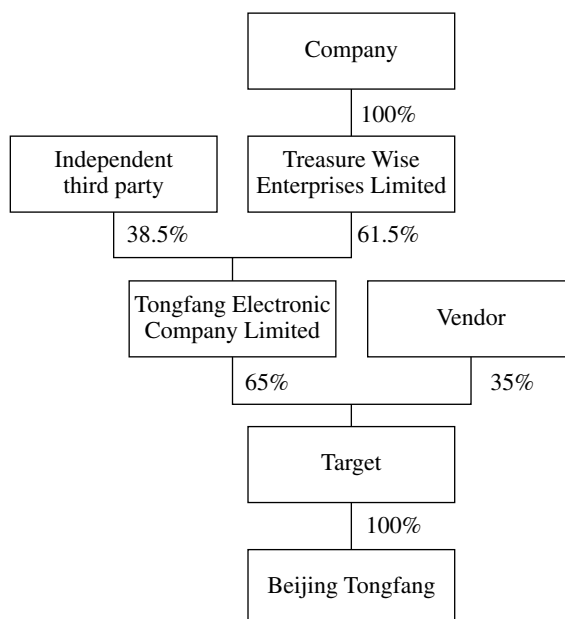
### **Assets to be acquired**

The assets to be acquired is a 35% interest in the issued share capital of the Target.

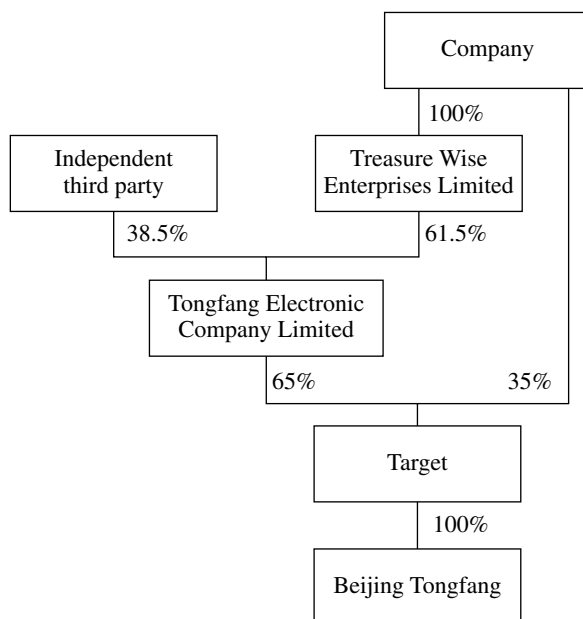
The Target is an investment holding company which sole asset is the entire interest in Beijing Tongfang, a foreign enterprise incorporated under the laws of the PRC in May 2001 and is principally engaged in research, development and provision of integrated management information system for power plants and for banks in the PRC. The Target was established by the Vendor, Pacific Heights Holdings Limited (“Pacific Heights”) which was 100% owned by Mr. Pyongsig Cho, and True Value Assets Limited (“True Value”) which was 100% owned by a fund in January 2001 through an investment holding company with an initial issued share capital of US\$5 million owned as to 35%, 25% and 40% by the Vendor, Pacific Heights, and True Value respectively. Both of Pacific Heights and True Value are independent third parties not connected with the Vendor, any directors, chief executive, substantial shareholders or management shareholders of the Vendor or any of its subsidiaries or any associates of any of them.

As at the date of this announcement, the Target is 35% held by the Vendor with the remaining 65% held by the Company’s indirect 61.5% owned subsidiary, Tongfang Electronic Company Limited (which was resulted from a restructuring of the Target group as announced by the Company on 18 November 2004). The Company acquired such an effective interest of approximately 40% in the Target in September 2004, details of which was disclosed in the Company’s circular dated 20 April 2004. Since such acquisition was completed within a 12 month period of the proposed Acquisition, the acquisition and the proposed Acquisition were aggregated pursuant to Rule 19.22 of the GEM Listing Rules in determining the classification of the proposed Acquisition. Upon Completion, the Company will have an additional direct interest in the Target of 35% and the attributable interest of the Company in the Target will increase to approximately 75%. The shareholding structure of the Target as at the date of this announcement and upon Completion are illustrated below:

Existing shareholding structure of the Target:



Shareholding structure of the Target upon Completion:



The following table shows the unaudited consolidated financial information of the Target for the three months ended 31 March 2005 and the audited consolidated financial information of the Target for the two years ended 31 December 2004:

	<b>For the three months ended 31 March 2005 (Unaudited) HK\$'000</b>	<b>For the year ended 31 December 2004 (Audited) HK\$'000</b>	<b>For the year ended 31 December 2003 (Audited) HK\$'000</b>
Turnover	6,223	59,401	47,279
(Loss)/Profit before taxation	(1,666)	2,318	4,271
(Loss)/Profit after taxation	(1,666)	1,466	4,271

In addition, the Target had an audited consolidated net assets value of approximately HK\$25.0 million as at 31 December 2004 and an unaudited consolidated net assets value of approximately HK\$23.4 million as at 31 March 2005. A total turnover of approximately HK\$24.6 million and net profit of approximately HK\$1.2 million recorded by the Target and its subsidiaries for the four months ended 31 March 2005 were consolidated into the audited results of the Group for the year ended 31 March 2005.

### Consideration

The total consideration for the Acquisition is approximately HK\$5.2 million, which will be satisfied by the Company at Completion by the issue and allotment of 15,890,000 Consideration Shares at an issue price of HK\$0.33 per Consideration Share. The consideration was arrived at after arm's length negotiation between the Company and the Vendor after considering the business prospect of the Target which the Directors consider to

be optimistic and the financial performance (including the audited consolidated net profits for the year ended 31 December 2004 and the audited consolidated net assets value as at 31 December 2004) of the Target group. The total consideration represents a discount of approximately 40% to the attributable 35% of the audited consolidated net assets value of the Target as at 31 December 2004 of approximately HK\$8.7 million.

Based on the closing price of HK\$0.28 per Share on 21 July 2005, being the last trading day for the Shares immediately before trading in the Shares was suspended pending the release of this announcement, the market value of the Consideration Shares was approximately HK\$4.4 million. The Consideration Shares represent approximately 21.2% of the existing issued share capital of the Company and approximately 17.5% of the enlarged issued share capital of the Company upon Completion.

The issue price of HK\$0.33 per Consideration Share was arrived at after arm's length negotiation between the Company and the Vendor and represents:

- a premium of approximately 17.9% over the price of HK\$0.28 per Share as quoted on the Stock Exchange on 21 July 2005, being the last trading day for the Shares immediately before trading in the Shares was suspended pending the release of this announcement;
- a premium of approximately 17.9% over the average closing price of approximately HK\$0.28 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 21 July 2005; and
- a premium of approximately 153.8% over the audited consolidated net asset value per Share as at 31 March 2005 of approximately HK\$0.13.

Based on the above analysis, the Directors consider the issue price of HK\$0.33 per Consideration Share is fair and reasonable.

### **Conditions**

Completion of the Acquisition is conditional upon:

- (i) the Vendor's warranties given under and as at the date of the Acquisition Agreement remaining true, accurate and not misleading upon repetition of the same immediately prior to Completion;
- (ii) the Company's warranties given under and as at the date of the Acquisition Agreement remaining true, accurate and not misleading upon repetition of the same immediately prior to Completion;
- (iii) the Listing Committee of GEM granting the listing of and permission to deal in the Consideration Shares;
- (iv) the approval of the Acquisition Agreement and the transactions contemplated thereby by the independent Shareholders;

- (v) the delivery by the Vendor to the Company of a legal opinion to the satisfaction of the Company, from a PRC solicitor acceptable to the Company in connection with the transactions contemplated under the Acquisition Agreement, including without limitation to the generality of the foregoing, to the effect that:-
  - (a) the sale of and the transfer of the Target Shares to the Company by the Vendor is, in respect of the Vendor, in compliance with all applicable laws and regulations in the PRC and all necessary approvals and consents in respect thereof have been obtained; and
  - (b) the subscription of the Consideration Shares by the Vendor on Completion is, in respect of the Vendor, in compliance with all applicable laws and regulations in the PRC and all necessary approvals and consents in respect thereof have been obtained;
- (vi) all consents, waivers, approvals (including shareholders' approval if necessary), authorisations and clearances (if any) of any relevant governmental or regulatory authority or any relevant third party necessary for the Vendor to enter into and perform the Acquisition Agreement having been obtained, including, but not limited to all governmental approvals required for the sale by the Vendor of the Target Shares and the subscription by the Vendor of the Consideration Shares pursuant to the Acquisition Agreement; and
- (vii) all consents, waivers, approvals, authorisations and clearances (if any) of any relevant governmental or regulatory authority or any relevant third party necessary for the Company to enter into and perform the Acquisition Agreement having been obtained.

If any of the conditions has not been fulfilled or in respect of the condition (i) which could be waived in writing by the Company or in respect of the condition (ii) which could be waived in writing by the Vendor, on or before 30 November 2005 (or such later date as may be agreed by the Company and the Vendor), the Acquisition Agreement shall thereupon terminate and none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Acquisition Agreement). As at the date of this announcement, both the Vendor and the Company have no intention to waive any of the above conditions.

### **Completion**

Completion of the Acquisition is to take place on the third business day following the day on which all the conditions stated in the paragraph headed "Conditions" above are fulfilled or waived by the Company or the Vendor (as the case may be).

### **LISTING AND RANKING OF CONSIDERATION SHARES**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued under the Acquisition Agreement. The Consideration Shares, when fully paid, will rank pari passu in all respects with all other Shares in issue as at the date of issue of the Consideration Shares.

## SHAREHOLDING STRUCTURE

Set out below is a table showing (i) the existing shareholding structure of the Company; and (ii) the Company's shareholding structure immediately upon Completion, assuming there will be no other changes to the existing issued share capital of the Company:

	As at the date of this announcement		Immediately upon Completion	
	Shares	%	Shares	%
Wide Source Group Ltd. <sup>1</sup>	21,542,476	28.7	21,542,476	23.7
Vendor	—	—	15,890,000	17.5
Other public Shareholders	<u>53,562,524</u>	<u>71.3</u>	<u>53,562,524</u>	<u>58.8</u>
	<u>75,105,000</u>	<u>100</u>	<u>90,995,000</u>	<u>100</u>

*Note 1:* Wide Source Group Ltd. 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, an executive Director, and as to 50% by Mr. Ma Bing.

## REASONS FOR THE ACQUISITION

The Company is an investment holding company and the subsidiaries of which are principally engaged in the provision of systems development, software and hardware products, professional services and training. As stated in the annual report of the Company dated 24 June 2005, the Group believed that the strong demand for management information systems for power plants in the PRC would continue for at least another year and the Group would focus its development in the management information system for the PRC energy market in the future. The Board would look for growth opportunities both internally and through acquisition in order to take advantage of the rapidly expanding and changing market of the PRC.

As at the date of this announcement, the Group's indirect 61.5% owned subsidiary holds 65% equity interest in the Target and the Target is regarded as a subsidiary of the Company. Upon Completion, the Target will continue to be a subsidiary of the Company and its results will continue to be consolidated into the Group. The Board considers that the Acquisition is desirable and represents a valuable opportunity for the Group to strengthen its existing business portfolio. One of the main businesses of the Target, the provision of management information systems for power plants in the PRC, is a sector the prospects of which the Directors consider with optimism and have determined to focus on developing. In addition, the Board is of the view that the Target's financial performance over the last two years has been satisfactory. The Board noted the Target recorded a loss in the first quarter of 2005, which was considered acceptable as the first quarter is usually the slack season of the Target due to the Lunar Chinese New Year holidays. The Directors (excluding the independent non-executive Directors who will be advised by the independent financial adviser to be appointed) also consider that the Acquisition is in the interest of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreement are fair and reasonable.

## GENERAL

The Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 19.06(5) and Rule 19.22 of the GEM Listing Rules. As stated in the sub-paragraph headed “Assets to be acquired” above, as at the date of this announcement, Tongfang Electronic Company Limited, an indirect 61.5% owned subsidiary of the Company holds 65% of the issued share capital of the Target. Accordingly, the results of the Target is consolidated into the accounts of the Group and it is regarded as a subsidiary of the Company. As the Vendor is a substantial shareholder of the Target by holding 35% shareholding interest in the Target, pursuant to Rule 20.11(1), the Vendor is a connected person of the Company and therefore the Acquisition constitutes a connected transaction for the Company. The Acquisition is subject to the approval of the independent Shareholders on which voting shall be taken by poll. As no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the EGM. An Independent Board Committee comprising Mr. Chung Shui Ming, Timpson, Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun will be established to consider the Acquisition and to advise the independent Shareholders regarding the Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders regarding the Acquisition.

A circular containing, among other things, (i) details of the Acquisition Agreement; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) the advice of the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Acquisition; and (iv) a notice convening the EGM, will be dispatched to the Shareholders within 21 days after publication of this announcement pursuant to the GEM Listing Rules.

**Shareholders and potential investors in the Company should note that Completion, which is subject to a number of conditions precedent, may or may not take place. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

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## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition” the proposed acquisition of the 35% interest in the issued share capital of the Target by the Company from the Vendor pursuant to the Acquisition Agreement



“Acquisition Agreement”	the conditional agreement dated 22 July 2005 entered into between the Company and the Vendor in relation to the Acquisition
“Associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Beijing Tongfang”	Beijing Tongfang Electronic Science & Technology Company Limited, a wholly owned foreign enterprise incorporated in the PRC and a wholly owned subsidiary of the Target
“Board”	board of Directors
“Company”	Tai Shing International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition Agreement
“Consideration Share(s)”	a total of 15,890,000 Shares
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider the Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board appointed by the Board to advise the independent Shareholders in respect of the Acquisition, comprising Mr. Chung Shui Ming, Timpson, Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun
“PRC”	People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target”	Tongfang Electronic (Hong Kong) Company Limited, a company incorporated under the laws of Hong Kong which is an investment holding company holding the entire interest in Beijing Tongfang
“Target Share(s)”	a total of 35,000 shares of the Target held by the Vendor
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Tsinghua Tongfang Co. Limited, a domestic company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange

By Order of the Board  
**Tai Shing International (Holdings) Limited**  
**Luk Yat Hung**  
*Chairman*

Hong Kong, 25 July 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

*This announcement will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from its date of publication.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*