

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 2004

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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 2004 amounted to approximately HK\$12.7 million representing a decrease of approximately 30.7% over the corresponding period in 2003.
- Loss attributable to the shareholders for the nine months ended 31 December 2004 amounted to approximately HK\$0.69 million representing a decrease of approximately 2.9% over the corresponding period in 2003.
- 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 2004.

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 2004, together with the unaudited comparative figures for the corresponding periods in 2003, are as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the three months and nine months ended 31 December 2004

	<i>Note</i>	Three months ended		Nine months ended	
		31 December	2003	31 December	2003
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	9,238	2,349	12,676	18,301
Cost of services and merchandise sold		(6,576)	(1,421)	(9,421)	(12,195)
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Gross Profit		2,662	928	3,255	6,106
Other revenue		64	-	64	22
Research and development costs		-	-	-	(623)
Selling expenses		(202)	(11)	(202)	(588)
General and administrative expenses		(910)	(566)	(2,663)	(5,414)
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Profit / (loss) from operations	3	1,614	351	454	(497)
Finance cost		(137)	(2)	(140)	(16)
Gain / (loss) on disposal of subsidiaries		-	(285)	5	(193)
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Profit / (loss) from ordinary activities before taxation		1,477	64	319	(706)
Taxation	4	(500)	-	(500)	-
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Profit / (loss) from ordinary activities after taxation		977	64	(181)	(706)
Minority interests		(504)	-	(504)	-
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Profit / (loss) attributable to the shareholders		473	64	(685)	(706)
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Earnings / (loss) per share – basic (<i>HK cents</i>)	6	0.72 cents	0.15 cents	(1.26) cents	(1.70) cents
			(<i>Restated</i>)		(<i>Restated</i>)

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 2004.

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 31 December 2004		Nine months ended 31 December 2004	
	2003	2003	2003	2003
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
<i>Principal activities</i>				
Systems development and integration	8,753	1,056	10,729	9,693
Sales of software and hardware products	-	370	11	3,102
Professional services fees	393	890	1,769	4,725
Training fees	92	33	167	781
	9,238	2,349	12,676	18,301

3. Profit / (loss) from operations

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

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Crediting</i>				
Interest income	-	-	-	1
<i>Charging</i>				
Auditors' remuneration	-	-	127	145
Depreciation	115	10	129	767
Finance costs – bank interests	137	2	140	16
Operating lease	122	110	212	1,300
Staff costs	1,825	1,527	5,089	12,791

4. Taxation

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Company and subsidiaries				
Hong Kong profit tax	-	-	-	-
PRC income tax provision for PRC income tax for the period at 10%	500	-	500	-
	500	-	500	-

No provision for Hong Kong profits tax has been made for the three months and nine months ended 31 December 2004 and 2003 as the Group sustained losses for taxation purpose during both periods.

5. Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2004 (2003: Nil).

6. Earning / (loss) per share

The calculation of basic profit per share for the three months and loss per share for the nine months ended 31 December 2004 were based on the profit of approximately of HK\$473,000 and loss of approximately of HK\$685,000 attributable to the shareholders (2003: profit of HK\$64,000 and loss of HK\$706,000) divided by the weighted average number of 65,615,000 shares and 54,190,709 shares for the three months and nine months ended respectively (2003: 41,455,000 as restated) in issue during the period.

There were no potential dilutive ordinary shares in issue during the nine months ended 31 December 2004 and 2003.

7. Reserves

Movements in reserves for the nine months ended 31 December 2004 and 2003 are as follows:

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Unaudited Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	-	26	-	26
Loss for the period	-	-	-	(685)	(685)
Issue of new shares	8,172	-	-	-	8,172
At 31 December 2004	10,752	1,200	(744)	(5,058)	6,150
At 1 April 2003	33,144	1,200	(395)	(132,150)	(98,201)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	(375)	-	(375)
Loss for the period	-	-	-	(706)	(706)
At 31 December 2003	33,144	1,200	(770)	(132,856)	(99,282)

BUSINESS REVIEW

As announced by the Company on 18 November 2004, Tongfang Electronic Company Limited (“Tongfang BVI”) carried out a corporate restructuring of Tongfang BVI, Tongfang Electronic (Hong Kong) Company Limited (“Tongfang HK”), and Beijing Tongfang Electronic Science and Technology Company Limited (“Beijing Tongfang”) (collectively the “Tongfang Group”). Subsequent to the restructuring exercise, which was completed on 1 December 2004, the accounts of the Tongfang Group have been consolidated into the accounts of the Company, whilst the approximate attributable shareholding interests of the Company in both Tongfang HK and Beijing Tongfang remain to be 40%.

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, our operation in Hong Kong continued to sustain an overall loss. This was however compensated by a better than expected contribution from PRC operations under the Tongfang Group. As a result, the Company is able to report a modest profit in the third quarter.

Your 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 Hong Kong operation.

Subsequent to the review period, leveraging on the knowledge gained from our energy team in Beijing, the Company has signed a confidential letter of intent (the “LOI”) with a PRC company (the “Client”). Under the terms of the LOI, the Company will provide management support to the Client and receive a management fee equivalent to 10% share of the Client’s audited net profit after tax. The Client is principally engaged in the provision of piped natural gas in the PRC. The Board expects to conclude negotiation with the Client by 30 March 2005. This contract, when concluded, represents a small but significant step by the Company in the energy sector.

FINANCIAL PERFORMANCE

During the nine months ended 31 December 2004, the Group recorded a turnover of HK\$12.7 million (2003: HK\$18.3 million) representing a decrease of approximately 30.7% as compared to that of corresponding period in 2003. General and administrative expenses were reduced to approximately HK\$2.7 million as compared to HK\$5.4 million of the previous corresponding period, representing a decrease of approximately 50.8%. The loss attributable to the shareholders amounted to approximately HK\$0.69 million (2003: HK\$0.71 million) representing an improvement of approximately 2.9% over the same period in 2003.

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 31 December 2004, 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	32.83%

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 2004, 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 2004, 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 2004, 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	32.83%
Mr. Luk Yat Hung	2	21,542,476	32.83%
Mr. Ma Bing	3	21,542,476	32.83%
Best Jade Ltd.	4	18,160,000	27.68%
Ms. Li Luyuan	5	18,160,000	27.68%
Suez Asia Holdings Pte. Ltd.	6	3,412,000	5.20%

Notes:

- 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.*
- 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.*
- 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.*
- 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.*
- Ms. Li Luyuan will be taken to be interested in 18,160,000 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 18,160,000 shares in the Company.*
- Suez Asia Holdings Pte Ltd. is a private equity investor in Asia holding the share of the Company in trust.*

Long positions in underlying shares of the Company

As at 31 December 2004, 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 2004, 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 2004, 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 2004, 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 2004 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 December 2004, 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 2004.

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 2004, 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. Mr. Yan Yonghong and Mr. Peng Lijun were appointed as the independent non-executive directors and members of the audit committee of the Company with effect from 30 September 2004 and 15 December 2004 respectively.

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

BOARD PRACTICES AND PROCEDURES

Up to the nine months ended 31 December 2004, 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 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
Tai Shing International (Holdings) Limited
Luk Yat Hung
Chairman

Hong Kong, 28 January 2005

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

Executive Director:

Mr. LUK Yat Hung (Chairman)

Ms. LI Wenli

Independent Non-executive Director:

Mr. CHUNG Shui Ming, Timpson

Professor IP Ho Shing, Horace

Mr. YAN Yonghong

Mr. PENG Lijun

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.taishingintl.com.