

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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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 three months period ended 30 June 2004 amounted to approximately HK\$1.77 million representing a decrease of approximately 85% over the corresponding period in 2003.
- Loss attributable to the shareholders for the three months period ended 30 June 2004 amounted to approximately HK\$265,000 representing an increase of approximately 34% over the corresponding period in 2003.
- Loss per share for the three months period ended 30 June 2004 was approximately 0.64 HK cents.
- The Board does not recommend the payment of any dividend for the three months period ended 30 June 2004.

The board of directors (the “Board”) of Tai Shing International (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months period ended 30 June 2004, together with the unaudited comparative figures for the corresponding period in 2003, are as follows:–

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended	
		30 June	
	<i>Note</i>	2004	2003
		HK\$'000	<i>HK\$'000</i>
Turnover	2	1,772	11,900
Cost of services and merchandise sold		(1,507)	(7,456)
Gross Profit		265	4,444
Other revenue		–	21
Research and development costs		–	(623)
Selling expenses		–	(494)
General and administrative expenses		(528)	(3,536)
Loss from operations	3	(263)	(188)
Finance cost		(2)	(10)
Loss from ordinary activities before taxation		(265)	(198)
Taxation	4	–	–
Loss attributable to the shareholders		(265)	(198)
Loss per share – basic (<i>HK cents</i>)	5	(0.64)	(0.48)
			<i>(Restated)</i>

NOTES TO THE INCOME STATEMENTS

1. Basis of presentation

The unaudited consolidated financial results of the Group (the “financial results”) have been prepared in accordance with the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 32) and 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 results 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 results.

2. Turnover

The principal activities of the Group are the provision of systems development, sale of software and hardware products, provision of professional services and provision of training. 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 sale 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:

	Unaudited Three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<i>Principal activities</i>		
System development	902	7,226
Sale of software and hardware products	11	2,517
Professional services fees	818	1,811
Training fees	41	346
	<u>1,772</u>	<u>11,900</u>

3. Loss from operations

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

	Unaudited	
	Three months ended	
	30 June	
	2004	2003
	HK\$'000	HK\$'000
<i>Crediting</i>		
Interest income	—	1
	<u>—</u>	<u>1</u>
	<u>—</u>	<u>1</u>
<i>Charging</i>		
Staff costs	1,761	6,945
Operating lease	42	708
Auditors' remuneration	—	120
Loss on disposal of fixed assets	—	5
Depreciation	7	459
	<u>7</u>	<u>459</u>

4. Taxation

No provision for Hong Kong profits tax has been made for the three months period ended 30 June 2004 and 2003 as the Group sustained losses during both periods.

Subsidiaries operating in the PRC are exempted from PRC income tax for two years commencing from the first profit making year and are entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. These subsidiaries are dormant since incorporation and the two-year tax exemption period has not commenced.

5. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2004 was based on the loss attributable to the shareholders of approximately of HK\$265,000 (2003: HK\$198,000) divided by the weighted average number of 41,717,800 (2003 : 41,455,000 as restated) shares in issue during the period.

There were no potential dilutive ordinary shares in issue during the three months ended 30 June 2004 and 2003.

6. Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2004 (2003: Nil).

7. Reserves

Movements in reserves for the periods ended 30 June 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)
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>
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	—	—	—	(198)	(198)
At 30 June 2003	<u>33,144</u>	<u>1,200</u>	<u>(770)</u>	<u>(132,348)</u>	<u>(98,774)</u>

BUSINESS REVIEW

With the approval of the shareholders at the extraordinary general meeting held on 7 May 2004, the Company is in the process of acquiring the entire issued share capital of Treasure Wise Enterprises Limited (“Treasure Wise”) which is an indirect beneficial owner of 40% interest in Beijing Tongfang Electronic Science & Technology Company Limited (“Beijing Tongfang”), a wholly foreign owned enterprise established in the People’s Republic of China (“PRC”).

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for application in electricity generation and operations of power plant; and 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.

The Board consider that by leveraging on the technical support from Beijing Tongfang, the Group can further invest in information technology related business in the PRC, widen its earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the information technology industry in the PRC and provide synergy to enhance its existing products and services with the technical support from Beijing Tongfang.

FINANCIAL PERFORMANCE

During the three months ended 30 June 2004, the Group recorded a turnover of HK\$1.77 million (2003: HK\$11.9 million) representing a decrease of approximately 85% as compared with the comparative figures of the corresponding period. General and administrative expenses were reduced to approximately HK\$0.53 million as compared to HK\$3.5 million of the previous corresponding period, representing a decrease of approximately 85%. The loss attributable to the shareholders amounted to approximately HK\$265,000 (2003: HK\$198,000) representing an increase of approximately 34% over the same period in 2003.

FUTURE PROSPECTS

Moving into a new fiscal year, we will continue to transform the Company by simplifying the organization structure, tightly controlling the expenses, developing innovative solutions, executing strategic acquisitions and disposal of unprofitable businesses.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2004, the relevant interests or short positions of the directors and the 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				Percentage of issued share capital
	Personal	Family	Corporate	Total	
Mr. Luk Yat Hung (<i>Note</i>)	–	–	21,542,476	21,542,476	45.40%

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 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 30 June 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 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 30 June 2004, the following persons who had an interest or short positions in the shares and underlying 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	<i>Note</i>	Number of shares held	Approximate Percentage of shareholding
Wide Source Group Ltd.	1	21,542,476	45.40%
Mr. Luk Yat Hung	2	21,542,476	45.40%
Mr. Ma Bing	3	21,542,476	45.40%
Suez Asia Holdings Pte Ltd.	4	3,412,000	7.19%

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. 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 30 June 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 30 June 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 30 June 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 30 June 2004, the directors were not aware of any other person who has any interests or short positions 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 end of the three months period ended 30 June 2004 or at any time during such period.

DIRECTORS’ COMPETING INTERESTS

As of 30 June 2004, none of the directors, the substantial shareholders or the 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 to replace the old share option scheme adopted on 26 August 2000. The principal terms of which 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 and new share option schemes during the period under review or outstanding as at 30 June 2004.

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 and stronger business relationship between the selected participants and the Group.

Save as disclosed above, as at 30 June 2004, none of the directors, chief executive, substantial shareholders or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any rights to subscribe for any shares of the Company or any of its associated corporations.

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 audit committee comprises two independent non-executive directors, namely, Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace. Mr. Chung Shui Ming, Timpson is the chairman of the audit committee. The primary duties of audit committee are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board.

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

BOARD PRACTICES AND PROCEDURES

Up to the three months period ended 30 June 2004, the Company was in compliance 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 purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Luk Yat Hung

Chairman

Hong Kong, 12 August 2004

As of the date of this announcement, Mr. Luk Yat Hung (Chairman) and Mr. Ho Cho Hang are the executive directors of the Company; and Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace are the independent non-executive directors of the Company.

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.