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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)

**MAJOR TRANSACTION
PROPOSED ACQUISITION
INVOLVING ISSUANCE OF NEW SHARES
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Financial adviser to Tai Shing International (Holdings) Limited



VC CEF CAPITAL LIMITED

滙盈加怡融資有限公司

A wholly-owned subsidiary of Value Convergence Holdings Limited

THE ACQUISITION

The Board is pleased to announce that on 23 March 2004, the Company has entered into a conditional sale and purchase deed with the Vendor to purchase the entire issued share capital of Treasure Wise which holds 40% interest in Tongfang Electronic (subject to the warranties under the S&P Deed being true and correct as at Completion thereof).

Pursuant to the S&P Deed, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Acquired Interest, representing the entire issued share capital of Treasure Wise, for a consideration of HK\$9,080,000. The completion of the S&P Deed is subject to the satisfaction of certain conditions as set out below.

* For identification purposes only

The consideration for the Acquisition will be satisfied by the Company by way of issuance of 18,160,000 Consideration Shares at an issue price of HK\$0.50 per Share to the Vendor or its nominees upon Completion. The issue price is identical to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on 23 March 2004 prior to the suspension of trading in Shares on 24 March 2004 and represents a discount of approximately 3.85% to the average closing price of HK\$0.52 per Share for the ten trading days up to and including 23 March 2004. The market value of the Consideration Shares is HK\$9,080,000 which is equivalent to the consideration for the Acquisition. The consideration for the Acquisition was arrived at based on arm's length negotiations between the Company and the Vendor and by reference to the unaudited consolidated net assets value of Tongfang Electronic of approximately HK\$23.84 million (based on the Generally Accepted Accounting Principles in Hong Kong) as at 31 December 2003.

The Consideration Shares represent approximately 38.27% of all existing issued Shares and approximately 27.68% of the enlarged issued share capital of the Company upon completion of the Acquisition. Application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

The Board also proposes to seek the Shareholders' approval for the grant of new general mandates to the Directors for the issue and repurchase of Shares.

GENERAL

Pursuant to Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a major transaction involving the issuance of new Shares and is subject to, among other things, the approval of the Shareholders.

A circular containing, among other things, details of the Acquisition and the transactions contemplated thereunder, the grant of new General Mandates and the notice of the EGM will be dispatched to the Shareholders within 21 days from the date of publication of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24 March 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 26 March 2004.

THE ACQUISITION

Date: 23 March 2004

Parties:

Vendor: Ms. Li, an independent third party not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates and not acting in concert with any other shareholder of the Company which would result in her holding and her concert parties having 30% or more interest in the voting rights of the Company upon completion of the S&P Deed

Purchaser: the Company

The interest to be acquired

Pursuant to the S&P Deed, the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the Acquired Interest, representing the entire issued share capital of Treasure Wise (which holds 40% interest in Tongfang Electronic (subject to the warranties under the S&P Deed being true and correct as at Completion thereof)), for a consideration of HK\$9,080,000.

Consideration and terms of payment

The consideration for the Acquisition will be satisfied by the Purchaser by way of issuance of 18,160,000 Consideration Shares to the Vendor or its nominees on Completion.

The Consideration Shares represent approximately 38.27% of all existing issued Shares as at the date of this announcement and approximately 27.68% of the enlarged issued share capital of the Company upon Completion.

The issue price of HK\$0.50 per Consideration Share is identical to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on 23 March 2004 (being the last trading day immediately preceding the suspension of trading in Shares on 24 March 2004) and represents a discount of approximately 3.85% to the average closing price of HK\$0.52 per Share for the last ten trading days up to and including 23 March 2004. The market value of the Consideration Shares is HK\$9,080,000 which is equivalent to the consideration of the Acquisition. The Directors consider that the issue price of the Consideration Shares at HK\$0.50 per Consideration Share is fair and reasonable.

The consideration for the Acquisition (being HK\$9,080,000) was arrived at based on arm's length negotiations between the Company and the Vendor and is by reference to the unaudited consolidated net assets value of Tongfang Electronic of approximately HK\$23.84 million as at 31 December 2003 (the "NAV") (based on the Generally Accepted Accounting Principles in Hong Kong). The consideration for the Acquisition also represents approximately 38.09% of such NAV.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distribution and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

Conditions Precedent

Completion is conditional upon, among other things, the following conditions being fulfilled on or before the Long Stop Date:

- (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Consideration Shares;
- (ii) the Shareholders having approved the entering into and performance of the S&P Deed, the allotment and issue of the Consideration Shares and the transactions contemplated thereunder in the manner as required under and in full compliance with the GEM Listing Rules at a general meeting;
- (iii) all necessary consents, authorizations and approvals required to be obtained in connection with the entering into, and performance of the terms of the S&P Deed, and of the transactions contemplated thereunder having been obtained by the Vendor from the relevant government authorities (if any);
- (iv) no breach of the warranties has occurred or subsisted as at the Long Stop Date; and
- (v) all necessary approvals and consents from the relevant regulatory authorities in Hong Kong and the PRC or any other jurisdiction, if applicable, having been obtained by the Vendor.

In the event that any of the conditions above has not been fulfilled or satisfied by the Long Stop Date, the S&P Deed shall be terminated with immediate effect (provided that such termination shall be without prejudice to any rights or remedies of the parties which shall have accrued prior to such termination). None of the conditions mentioned above can be waived under the S&P Deed.

Completion

Completion of the Acquisition shall take place within three Business Days after the fulfillment of the conditions of the S&P Deed.

Changes to the shareholding of the Company as a result of the issue of the Consideration Shares

The effect of the issue of the Consideration Shares on the shareholding structure of the Company before and immediately after completion of the Acquisition is as follows:

Shareholders	As at the date hereof		Immediately upon completion of the Acquisition	
	No. of shares	%	No. of shares	%
Wide Source (<i>note 1 & 2</i>)	21,542,476	45.40%	21,542,476	32.83%
Suez Asia Holdings Pte. Ltd. (<i>note 3</i>)	3,412,000	7.19%	3,412,000	5.20%
Ms. Li (<i>note 4</i>)	–	0.00%	18,160,000	27.68%
Others	22,500,524	47.41%	22,500,524	34.29%
Total Shares issued	<u>47,455,000</u>	<u>100.00%</u>	<u>65,615,000</u>	<u>100.00%</u>

Notes:

1. Shares held by Wide Source represent the corporate interest of Mr. Luk Yat Hung in the Company.
2. Mr. Ma Bing will be taken to be interested in 21,542,476 Shares 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.
3. Suez Asia Holdings Pte. Ltd. is a private equity investor in Asia holding the said number of Shares in trust.
4. Ms. Li graduated from Hua Zhong Polytechnic University (華中理工大學) in September 2000 and joined the research and development department of Lang Chao Group (浪潮集團) in 2001. She is a co-founder of Shen Si Guan Jie Limited (神思冠傑有限公司), a software development company incorporated in the PRC. Ms. Li has been an active direct investor in a number of hi-tech companies providing software solutions and application services to the power and energy industry and tax bureau as well as tax related services.

REASONS AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company with its operating subsidiaries principally engaged in the design, development and deployment of internet enabling software solutions and the provision of information technology consulting and e-business innovation services for commercial enterprises in Hong Kong seeking to deploy and improve their use of the internet and e-business applications.

As stated in the third quarterly report of the Company for the nine months ended 30 September 2003, the Group would execute strategic acquisition in order to enhance the profitability of the Group. In view of the satisfactory historic financial performance of Tongfang Electronic for each of the two financial years

ended 31 December 2002 and 2003, the Directors believe that Tongfang Electronic would continue to have a steady and recurring income stream so as to improve the Group's overall financial performance in the long run. Moreover, the Directors consider that the Acquisition presents a good opportunity for the Group to further invest in information technology related business in the PRC which offers attractive growth potential for the Company and is in the interest of the Company and the Shareholders as a whole. The Directors also believe that the Acquisition provides an opportunity for the Company to 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 Tongfang Electronic.

Through the Acquired Interest, the Company will become the indirect beneficial owner of 40% interest in the registered capital of Beijing Tongfang with the remaining 60% owned by two independent third parties not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates. In addition, upon completion of the Acquisition, it is currently intended that no representative from the Company will be nominated to join and participate in the management of Tongfang Electronic and that neither the Vendor nor its representative will be nominated to the Board of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in line with the business objective of the Group. The Company currently does not have any intention to increase its interest in Beijing Tongfang apart from the Acquisition; in the event that there is such increase, the Company will comply with the relevant disclosure and Shareholders' approval requirements, if applicable, of the GEM Listing Rules.

BACKGROUND OF TONGFANG ELECTRONIC

Tongfang Electronic is an investment holding company and its sole asset is the entire issued share capital of Tongfang Electronic (Hong Kong) Company Limited. Beijing Tongfang is a wholly owned foreign enterprise owned by Tongfang Electronic (Hong Kong) Company Limited and incorporated under the laws of the PRC on 5 May 2001.

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

FINANCIAL INFORMATION OF TONGFANG ELECTRONIC

Set out below is the unaudited consolidated financial information of Tongfang Electronic under the Generally Accepted Accounting Principles in Hong Kong:

	Year ended 31 December 2001	Year ended 31 December 2002	Year ended 31 December 2003
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
(Loss)/profit before taxation	(23.3)	4.4	3.9
Net (loss)/profit after taxation	(23.3)	4.4	3.9
Net assets value as at 31 December	15.8	20.0	23.8
Net tangible assets value as at 31 December	15.8	20.0	23.8

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the EGM, ordinary resolutions will be proposed to grant to the Directors new general mandates (i) to allot and issue Shares up to a limit of 20% of the Shares in issue immediately after completion of the Acquisition and (ii) to purchase Shares, which does not exceed 10% of the aggregate nominal amount of the Shares in issue immediately after completion of the Acquisition.

The Directors have no immediate plans to issue new Shares pursuant to the General Mandates.

GENERAL

Pursuant to Chapter 19 of the GEM Listing Rules, the Acquisition constitutes a major transaction and is subject to, among other things, approval of the Shareholders. No Shareholder shall be required to abstain from voting in the resolution approving the Acquisition under the GEM Listing Rules. A circular containing further information on the Acquisition and the transactions contemplated thereunder, the grant of the General Mandates and the notice of the EGM will be dispatched to the Shareholders within 21 days after the date of publication of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24 March 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 26 March 2004.

DEFINITIONS

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

“Acquired Interest”	the entire issued share capital of Treasure Wise
“Acquisition”	the acquisition of the Acquired Interest by the Company from the Vendor for a consideration of HK\$9,080,000 pursuant to the S&P Deed
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Tongfang”	Beijing Tongfang Electronic Science & Technology Company Limited (北京同方電子科技有限公司), a company incorporated in the PRC, and is owned as to 100% by Tongfang Electronic (Hong Kong) Company Limited which is in turn owned as to 100% by Tongfang Electronic and its directors are not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday) on which banks in Hong Kong are generally open for business
“Company”	Tai Shing International (Holdings) Limited (formerly known as Systek Information Technology (Holdings) Limited), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed and traded on the GEM
“Completion”	completion of the S&P Deed in accordance with the terms therein
“Consideration Shares”	18,160,000 new Shares to be issued and allotted (credited as fully paid) at HK\$0.50 per Share to the Vendor under the S&P Deed as consideration for the Acquisition
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for approving, amongst other things, the S&P Deed and the transactions contemplated thereunder

“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“General Mandates”	the general mandates to issue and repurchase Shares proposed to be granted to the Directors at the EGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Third Party”	a person or a company which is independent of and not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates
“Long Stop Date”	23 September 2004 (or such other date as the parties to the S&P Deed may agree in writing), being the long stop date of the S&P Deed
“PRC”	the People’s Republic of China
“S&P Deed”	the conditional sale and purchase deed entered into between the Company and the Vendor in relation to the Acquisition dated 23 March 2004
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the Shares from time to time
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company, which is for the time being and from time to time, a subsidiary within the meaning of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong

“Tongfang Electronic”	Tongfang Electronic Company Limited, a company incorporated with limited liability in the British Virgin Islands and its directors are not connected with any of the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries, or their respective associates
“Treasure Wise”	Treasure Wise Enterprises Limited, a private limited company incorporated in the British Virgin Islands which, upon completion of the Acquisition, is to become the indirect beneficial owner of 40% of the entire equity of Beijing Tongfang through its 40% shareholding in the issued share capital of Tongfang Electronic (subject to the warranties under the S&P Deed being true and correct as at Completion thereof)
“Vendor” or “Ms. Li”	Ms. Li Lu Yuan (李祿媛), Independent Third Party and is not acting in concert with any other Shareholder of the Company resulting in her and her associates and parties acting in concert with her having 30% or more interest in the voting rights of the Company upon Completion
“Wide Source”	Wide Source Group Ltd., a private company incorporated in the British Virgin Islands with limited liability, its sole director is Mr. Luk Yat Hung and its entire issued share capital is ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and 50% by Mr. Ma Bing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.	

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

Hong Kong, 25 March 2004

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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: (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.

The announcement will remain on the GEM website at <http://www.hkgem.com> at the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company at <http://www.taishingintl.com>.