

# 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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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\* for identification purpose only

## HIGHLIGHTS

- Turnover for the six months ended 30 September 2004 amounted to approximately HK\$3.4 million representing a decrease of approximately 78.4% over the corresponding period in 2003.
- Loss attributable to the shareholders for the six months ended 30 September 2004 amounted to approximately HK\$1.1 million representing an increase of approximately 50.4% over the corresponding period in 2003.
- Loss per share for the six months ended 30 September 2004 was approximately 2.39 HK cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 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 six months ended 30 September 2004, together with the unaudited comparative figures for the corresponding periods in 2003, are as follows:–

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the three months and six months ended 30 September 2004

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	<b>1,666</b>	4,052	<b>3,438</b>	15,952
Cost of services and merchandise sold		<b>(1,338)</b>	(3,318)	<b>(2,845)</b>	(10,774)
Gross profit		<b>328</b>	734	<b>593</b>	5,178
Other revenue		–	1	–	22
Research and development costs		–	–	–	(623)
Selling expenses		–	(83)	–	(577)
General and administrative expenses		<b>(1,225)</b>	(1,312)	<b>(1,753)</b>	(4,848)
Loss from operations	4	<b>(897)</b>	(660)	<b>(1,160)</b>	(848)
Finance costs		<b>(1)</b>	(4)	<b>(3)</b>	(14)
Gain on disposal of interests in subsidiaries		<b>5</b>	92	<b>5</b>	92
Loss from ordinary activities before taxation		<b>(893)</b>	(572)	<b>(1,158)</b>	(770)
Taxation	5	–	–	–	–
Loss attributable to the shareholders		<b>(893)</b>	(572)	<b>(1,158)</b>	(770)
Loss per share – basic (HK cents)	7	<b>(1.800)</b>	(0.014)	<b>(2.390)</b>	(0.018)
			(Restated)		(Restated)

# CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 September 2004

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2004</b>	2004
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Fixed assets		<b>130</b>	125
Investment securities	8	<b>10,501</b>	1,421
		<b>10,631</b>	1,546
<b>Current assets</b>			
Accounts receivable	9	<b>1,238</b>	2,799
Prepayment, deposits and other receivables		<b>452</b>	240
Cash and bank balances		<b>524</b>	907
		<b>2,214</b>	3,946
<b>Current liabilities</b>			
Receipts in advance		<b>247</b>	279
Other payables and accruals		<b>1,539</b>	2,076
Tax payable		<b>327</b>	327
		<b>2,113</b>	2,682
<b>Net current assets</b>		<b>101</b>	1,264
<b>Total assets less current liabilities</b>		<b>10,732</b>	2,810
<b>Non-current liabilities</b>			
Promissory note, unsecured		<b>1,800</b>	1,800
<b>Minority interests</b>		<b>–</b>	–
<b>NET ASSETS</b>		<b>8,932</b>	1,010
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>3,281</b>	2,373
Reserves	11	<b>5,651</b>	(1,363)
		<b>8,932</b>	1,010

## CONDENSED CONSOLIDATED STATEMENT IN CHANGES IN EQUITY

for the six months ended 30 September 2004

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2004	2,373	2,580	1,200	(770)	(4,373)	1,010
Loss for the period	–	–	–	–	(1,158)	(1,158)
Issue of new shares	908	8,172	–	–	–	9,080
<b>At 30 September 2004</b>	<b>3,281</b>	<b>10,752</b>	<b>1,200</b>	<b>(770)</b>	<b>(5,531)</b>	<b>8,932</b>
At 1 April 2003	103,638	33,144	1,200	(395)	(132,150)	5,437
Loss for the period	–	–	–	–	(770)	(770)
Exchange differences on translation of accounts of subsidiaries outside Hong Kong	–	–	–	(375)	–	(375)
<b>At 30 September 2003</b>	<b>103,638</b>	<b>33,144</b>	<b>1,200</b>	<b>(770)</b>	<b>(132,920)</b>	<b>4,292</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2004

	Unaudited	
	Six months ended 30 September 2004 HK\$'000	2003 HK\$'000
Net cash (outflow)/inflow from operating activities	(361)	169
Net cash outflow from investing activities	(22)	(230)
Net decrease in cash and cash equivalents	(383)	(61)
Effects of foreign exchange rate	–	(375)
Cash and cash equivalents at 1 April	907	2,107
<b>Cash and cash equivalents at 30 September</b>	<b>524</b>	<b>1,671</b>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	524	1,671
	<b>524</b>	<b>1,671</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

## 1. Basis of presentation

The unaudited condensed consolidated financial results of the Group (the “financial results”) have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” 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 financial results should be read in conjunction with the audited annual accounts for the year ended 31 March 2004.

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, 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 consultancy services, provision of IT engineering and technical support services, provision of training courses and the sales 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:

	Three months ended		Six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Principal activities</i>				
Systems development	1,074	1,411	1,976	8,637
Sales of software and hardware products	–	215	11	2,732
Professional services fees	558	2,024	1,376	3,835
Training fees	34	402	75	748
	<u>1,666</u>	<u>4,052</u>	<u>3,438</u>	<u>15,952</u>

## 3. Segment reporting

Segment information is presented in respect of the Group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group’s internal financial reporting.

An analysis of the Group's turnover and results for the six months period by business segment is as follows:

	Systems development		Software and hardware products		Professional services		Training		Combined	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,976</u>	<u>8,637</u>	<u>11</u>	<u>2,732</u>	<u>1,376</u>	<u>3,835</u>	<u>75</u>	<u>748</u>	<u>3,438</u>	<u>15,952</u>
Contribution from operations	397	1,516	2	2,199	138	1,152	56	311	593	5,178
Unallocated operating income and expenses									<u>(1,748)</u>	<u>(5,934)</u>
Loss from operations									<u>(1,155)</u>	<u>(756)</u>
Finance costs									<u>(3)</u>	<u>(14)</u>
Loss attributable to the shareholders									<u>(1,158)</u>	<u>(770)</u>
Depreciation & amortisation for the period	<u>14</u>	<u>644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>14</u>	<u>756</u>
Unallocated significant non-cash expenses (other than depreciation and amortisation)									<u>-</u>	<u>5</u>
									<u>-</u>	<u>5</u>

The Group does not have any inter-segment sales.

An analysis of the Group's turnover for the period by geographical segments is as follows:

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	3,438	14,591
PRC	-	1,018
Other countries	-	343
	<u>3,438</u>	<u>15,952</u>

#### 4. Loss from operations

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

	Three months ended 30 September		Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Auditors' remuneration	127	67	127	145
Depreciation	7	299	14	756
Finance costs – bank interests	1	3	3	14
Operating leases	48	483	90	1,190
Staff costs	1,503	3,424	3,264	11,268
Net exchange (gain) / loss	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(350)</u>

#### 5. Taxation

No provision for Hong Kong profits tax has been made for the three months and six months ended 30 September 2004 and 2003 as the Group sustained losses for taxation purpose 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 remain dormant since incorporation and the two-year tax exemption period has not commenced.

#### 6. Dividend

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

#### 7. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September 2004 were based on the loss attributable to the shareholders of approximately of HK\$893,000 and HK\$1,158,000 (2003: loss of HK\$572,000 and HK\$770,000) divided by the weighted average number of 49,428,913 shares and 48,452,802 shares for the three months and six months ended respectively (2003: 41,455,000 shares as restated) in issue during the period.

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

#### 8. Investment securities

	Unaudited At 30 September 2004 HK\$'000	Audited At 31 March 2004 HK\$'000
Other investment:		
Unlisted investment, at cost	10,880	1,800
Less: Impairment loss	<u>(379)</u>	<u>(379)</u>
	<u>10,501</u>	<u>1,421</u>

## 9. Accounts receivable

An aged analysis of accounts receivable is as follows:

	<b>Unaudited</b> <b>At 30 September</b> <b>2004</b> <i>HK\$'000</i>	<b>Audited</b> <b>At 31 March</b> <b>2004</b> <i>HK\$'000</i>
Within 1 month	346	264
More than 1 month but within 3 months	253	502
More than 3 months but within 12 months	639	2,033
Beyond 1 year	—	—
	<u>1,238</u>	<u>2,799</u>

## 10. Share capital

	<b>Unaudited</b> <b>As at 30 September 2004</b>		<b>Audited</b> <b>As at 31 March 2004</b>	
	<b>No. of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>	<b>No. of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.05 each	<u>4,000,000</u>	<u>200,000</u>	<u>4,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the period ordinary shares of HK\$0.05 each	47,455	2,373	47,455	2,373
New issue during the period	<u>18,160</u>	<u>908</u>	—	—
At end of the period ordinary shares of HK\$0.05 each	<u>65,615</u>	<u>3,281</u>	<u>47,455</u>	<u>2,373</u>

On 21 September 2004, 18,160,000 new ordinary shares of HK\$0.05 each were issued at HK\$0.50 each to Best Jade Ltd. as the consideration shares for the acquisition of the entire share capital of Treasure Wise Enterprises Limited. The premium on issue of the shares of approximately HK\$8,172,000 was credited to the share premium account.



## 11. Reserves

Movements in reserves for the six months ended 30 September 2004 and 2003 are as follows:

	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Unaudited Exchange reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2004	2,580	1,200	(770)	(4,373)	(1,363)
Loss for the period	–	–	–	(1,158)	(1,158)
Issue of new shares	8,172	–	–	–	8,172
	<u>10,752</u>	<u>1,200</u>	<u>(770)</u>	<u>(5,531)</u>	<u>5,651</u>
At 30 September 2004					
At 1 April 2003	33,144	1,200	(395)	(132,150)	(98,201)
Loss for the period	–	–	–	(770)	(770)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	(375)	–	(375)
	<u>33,144</u>	<u>1,200</u>	<u>(770)</u>	<u>(132,920)</u>	<u>(99,346)</u>
At 30 September 2003					

## 12. Commitments under operating leases

At 30 September 2004, the total future minimum lease payments under non-cancellable operating leases payable are as follows:

	<b>Unaudited</b> <b>At 30 September</b> <b>2004</b> <i>HK\$'000</i>	<b>Audited</b> <b>At 31 March</b> <b>2004</b> <i>HK\$'000</i>
Within 1 year	<b>158</b>	150
After 1 year but within 5 years	<b>61</b>	128
	<u><b>219</b></u>	<u>278</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Business Review

On 21 September 2004, the Company successfully completed the acquisition of the entire issued share capital of Treasure Wise Enterprises Limited (“Treasure Wise”). Treasure Wise 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 considers that by leveraging on the technical support from Beijing Tongfang, the Group can further expanded 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 six months ended 30 September 2004, the Group recorded a turnover of HK\$3.4 million (2003: HK\$15.9 million) representing a decrease of approximately 78.4% as compared to that of the corresponding period in 2003. General and administrative expenses were reduced to approximately HK\$1.7 million as compared to HK\$4.8 million of the previous corresponding period, representing a decrease of approximately 63.8%. The loss attributable to the shareholders amounted to approximately HK\$1.1 million (2003: HK\$0.8 million) representing an increase of approximately 50.4% over the same period in 2003.

## Liquidity and Financial Resources

As at 30 September 2004, shareholders’ funds of the Group amounted to approximately HK\$9 million (2003: \$4.3 million). Current assets amounted to approximately HK\$2.2 million (2003: \$7.4 million), of which approximately HK\$0.5 million (2003: \$1.7 million) were cash and cash equivalents. Current liabilities of HK\$2.1 million (2003: \$3.2 million) were mainly other payables and accruals.

## Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders’ fund as at 30 September 2004 was 43.8% (2003: 74.8%).

## **Foreign Currency Exposure**

During the six months ended 30 September 2004, the Group experienced only immaterial exchange rate fluctuations as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

## **Capital Structure**

On 21 September 2004, the Company has issued 18,160,000 new ordinary shares of HK\$0.05 each to Best Jade Ltd. at an issue price of HK\$0.50 per share as the consideration shares for the acquisition of the entire issued share capital of Treasure Wise. Upon completion of the acquisition, the issued share capital of the Company has been increased from HK\$2,372,750 divided into 47,455,000 shares of HK\$0.05 each to HK\$3,280,750 divided into 65,615,000 shares of HK\$0.05 each (2003: HK\$103 million).

## **New Products and Services**

The information technology market is characterized by rapidly changing technologies, evolving industry standards as well as frequent new platform and application launch. The introduction of new products and services embodying new technologies is tended to be costly to the Group's financial position. Therefore, the Group's future direction is to reduce the investments in research and development of new products. Instead, the management will widen and broaden the Group's technical know-how by forming strategic alliance with appropriate business partners through acquisition.

## **Material Acquisitions and Significant Investments**

With the shareholders' approval granted at the extraordinary general meeting on 7 May 2004, the Company has successfully completed the acquisition of the entire issued share capital of Treasure Wise on 21 September 2004 in a consideration of HK\$9.08 million by way of issuance of 18,160,000 new ordinary shares of the Company at an issue price of HK\$0.50 each. The details of the acquisition were set out in the circular of the Company dated 20 April 2004.

Save as disclosed above, as at 30 September 2004, the Group did not have any other material acquisitions and disposals of subsidiaries during the review period and no future plans for significant investments.

## **Employees and Remuneration Policies**

As at 30 September 2004, the Group had hired 26 employees including the executive directors of the Company. Total staff costs including directors' remuneration for the six months period under review amounting to approximately HK\$3.3 million (2003: 11.3 million). The decrease in the number of employees was caused by headcount reduction and the disposal of unprofitable businesses. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Company has conditionally adopted a share option scheme pursuant to which the executive directors of the Company and full-time employees of the Group may be granted options to subscribe for the shares of the Company. During the six months ended 30 September 2004, no option was granted under the share option scheme.

### **Charges on Group Assets and Contingent Liabilities**

As at 30 September 2004, the Group did not have any material charge on assets or any contingent liabilities (2003: Nil).

### **Future Plans to Material Investments or Capital Assets**

As at 30 September 2004, the Group had no plans for material investments or capital assets.

### **Future Prospects**

The Board will continue to simplify the organization of the Group, tightly control expenses, dispose of unprofitable businesses and execute strategic acquisitions in order to enhance the profitability of the Group. We remain cautiously optimistic about the prospects of the Group.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

As at 30 September 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 the shares of the Company**

<b>Name of Director</b>	<b>Number of ordinary shares held</b>				<b>Percentage of issued share capital</b>
	<b>Personal</b>	<b>Family</b>	<b>Corporate</b>	<b>Total</b>	
Mr. Luk Yat Hung ( <i>Note</i> )	–	–	21,542,476	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 30 September 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 September 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 September 2004, the following persons who had an interest or short positions in the 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	Note	Number of shares held	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:*

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 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.
6. 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 September 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 September 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 September 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 September 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 six months ended 30 September 2004 or at any time during such period.

## **DIRECTORS' COMPETING INTERESTS**

As of 30 September 2004, none of the directors, substantial shareholders or 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 ("New Share Option Scheme") to replace the share option scheme adopted on 26 August 2000 ("Old Share Option Scheme"). The principal terms of the New Share Option 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 Share Option Scheme and New Share Option Scheme during the period under review or outstanding as at 30 September 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 to and stronger business relationship between the selected participants and the Group.

Save as disclosed above, as at 30 September 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 5.30 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 three independent non-executive directors, namely, Mr. Chung Shui Ming Timpson, Professor Ip Ho Shing Horace and Mr. Yan Yonghong, and Mr. Chung Shui Ming Timpson is the chairman of the audit committee. Mr. Yan Yonghong was appointed as the independent non-executive director and member of the audit committee of the Company with effect from 30 September 2004.

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

## **BOARD PRACTICES AND PROCEDURES**

Up to the six months period ended 30 September 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 six 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, 8 November 2004

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.taishingintl.com).*