



Techwayson Holdings Limited

德維森控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)



2002-2003
FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid reports in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report for which the directors of Techwayson Holdings Limited 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 of Hong Kong Limited for the purpose of giving information with regard to Techwayson 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover increased by approximately 26% for the three months ended 30 September 2002 compared with the corresponding period in 2001.
- Profit attributable to shareholders increased by approximately 305% for the three months ended 30 September 2002 compared with the corresponding period in 2001.
- Earnings per share for the three months ended 30 September 2002 rose to RMB0.89 cents from RMB0.24 cents for the corresponding period in 2001.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Techwayson Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2002, together with the comparative figures for the corresponding year in 2001 as follows:

	<i>Note</i>	For the three months ended 30 September	
		2002	2001
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	8,270	6,545
Materials and equipment		(349)	(2,351)
		7,921	4,194
Other revenue		6	338
Staff costs		(1,352)	(1,677)
Depreciation of equipment and furniture		(209)	(191)
Provision for product warranty costs		(8)	–
Other operating expenses		(2,649)	(1,780)
Profit from operations		3,709	884
Finance cost		(209)	–
Profit before taxation		3,500	884
Taxation	3	(389)	(116)
Profit attributable to shareholders		3,111	768
Earnings per share	4		
– Basic		<u>RMB0.89 cents</u>	<u>RMB0.24 cents</u>

Notes:

1. Basis of presentation

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The financial statements have been prepared under the historical cost convention.

2. Turnover

The Group's turnover represented revenue generated from fixed price contracts in respect of (i) sales of system control equipment and software products, and (ii) fees for system integration services and was further classified under the heading of industrial automation services and building automation services. The Group's revenue from fixed price contracts is stated after deducting Mainland China value-added tax and city and county maintenance tax.

3. Taxation

Taxation consists of:

	For the three months ended 30 September	
	2002	2001
	RMB'000	RMB'000
Current taxation		
– Mainland China enterprise income tax	389	116

Techwayson Industrial Ltd., a wholly-owned subsidiary established and operating in a special economic zone of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from Mainland China enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years and then for the other three years provided Techwayson Industrial Ltd. be a Hi-tech enterprise during the said three years. The tax exemption period expired on 31 December 2000 and thereafter, the Company is subject to Mainland China enterprise income tax at 7.5% until 31 December 2006.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2002 was based on the consolidated profit attributable to shareholders of approximately RMB3,111,000 (2001: RMB768,000) and the weighted averaged number of approximately 350,000,000 shares (2001: 316,302,000 shares) deemed to be in issue during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the three months ended 30 September 2001 and 2002.

5. Reserves

Movements of reserves are:

	Share premium <i>RMB'000</i>	General reserve funds <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2002	7,160	5,309	13,841	108,819	135,129
Transfer from retained profit to reserves	-	-	-	-	-
Profit attributable to shareholders	-	-	-	3,111	3,111
	<u>7,160</u>	<u>5,309</u>	<u>13,841</u>	<u>111,930</u>	<u>138,240</u>
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099
Transfer from retained profit to reserves	-	-	-	-	-
Profit attributable to shareholders	-	-	-	768	768
	<u>7,160</u>	<u>5,309</u>	<u>13,841</u>	<u>64,557</u>	<u>90,867</u>

DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 30 September 2002. (2001: Nil).

BUSINESS REVIEW AND OUTLOOK

Finance

For the three months ended 30 September 2002, the Group has recorded a turnover of approximately RMB8,270,000 representing a 26% increase as compared to the same period last year. The Group's turnover increased due to the sales of the Company's proprietary software for controlling system.

For the three months ended 30 September 2002, profit attributable to shareholders increased by approximately RMB2,343,000 to approximately RMB3,111,000, representing a 305% increase as compared with the corresponding year in 2001. Such increase was primarily due to increase in profit derived from fixed price contracts after deduction of related materials and equipment costs.

Earnings per share for the three months ended 30 September 2002 increased to RMB0.89 cents, from RMB0.24 cents for the corresponding period in 2001.

Business operation and Outlook

The market of industrial automation remains volatile. Large scale projects such as Shenzhen MRT and Shenzhen Airport Logistics Centre are moving very slowly. The Group has kept tracking on the progress and planned to team up with different companies for different projects. The Group believes that such flexible marketing strategy will increase the chance of success in the Group's bidding for industrial automation projects.

Following the OEM contract for injectors, local merchandising agents of foreign companies has shown interest in the Group's proprietary controlling system software. The Group is in discussion with the agents for a regular supply of chips containing such software on a monthly basis. The Group expects such wholesales business will become one of the Group's major sources of income in the future.

The Group has also worked on the distribution business of foreign automation products in China. Expansion has been planned both on geographic coverage and product range. In addition to the distribution contract with Rockwell Automation for its Allen Bradley products, the Group has solicited new principals including Ortronics and Invensys.

To further increase the public profile and recognition of the Company, on 18 September 2002, the Company submitted an advance booking of an application for the proposed listing of its shares on the Main Board of the Stock Exchange and informed the Stock Exchange of its intention to voluntarily withdraw the listing of its shares on GEM (*Note*).

Note: The listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in any business which competes with the Company or may compete with the business of the Group.

DIRECTORS' INTEREST IN SHARES

As at 30 September 2002, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance) or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 to 5.59 of the GEM Listing Rules, the interests of Directors in the securities of the Company and its associates were as follows:

Name of director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Dr. SZE Kwan	–	–	168,000,000*	–	168,000,000

* These shares are held through Otto Link Technology Limited, which are beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai, directors of the Company.

Saved as disclosed above, as at 30 September 2002, none of the Directors or their associates had any interests in the issued share capital of the Company or any of its associates (within the meaning of the SDI Ordinance).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Except for the employee Share Option Scheme of the Company, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors of the Company or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

EMPLOYEE SHARE OPTION SCHEME

On 22 January 2001, the Company conditionally adopted the Share Option Scheme, the principal terms of which are set out in the Company's prospectus dated 31 January 2001.

As at 30 September 2002, no option was granted by the Company under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, save for the interests of the Directors disclosed above, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors) were directly or indirectly interested in 10% or more of the Company's issued share capital:

Name	Number of Shares	Approximate Shareholding
Otto Link Technology Limited ¹	168,000,000	48.00%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited ²	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%

Note:

- Otto Link Technology Limited is beneficially owned as to 80% by Dr. Sze Kwan who is the chairman of the Company and 20% by Mr. Tung Fai who is also a Director.
- Goldwiz Holdings Limited ("Goldwiz Holdings") is the holding company of Goldwiz Technology Limited ("Goldwiz") which holds 100% of the issued share capital of Goldwiz and is therefore deemed to be interested in the 61,824,000 Shares held by Goldwiz.

SPONSOR'S INTEREST

Pursuant to an agreement dated 16 July 2001, entered into between the Company and Celestial Capital Limited ("CASH"), has been appointed as the Company's sponsor for the period from 16 July 2001 to 30 June 2003 in return for a monthly advisory fee.

None of the Company's sponsor, CASH, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 September 2002.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 8 February 2001.

AUDIT COMMITTEE

The Company established an audit committee on 27 November 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, namely Mr. Wee Soon Chiang, Henry and Mr. Wong Kam Kau, Eddie. The Group's unaudited results for the three months ended 30 September 2002 have been reviewed by the audit committee, who were of the opinion that the preparation of such result complied with applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosures had been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the period.

By Order of the Board

SZE Kwan

Chairman

Hong Kong, 14th November, 2002