Techwayson Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

3rd Quarterly Report 2001/2002

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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 slightly decreased by approximately 7% for the nine months ended 31 March 2002 compared with the corresponding period in 2001.
- Profit attributable to shareholders for the nine months ended 31 March 2002 amounted to approximately RMB37,452,000.
- Earnings per share for the nine months ended 31 March 2002 was RMB10.70 cents.

THIRD 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 nine months and three months ended 31 March 2002, together with the comparative figures for the corresponding periods in the year 2001 as follows:

		For the nine months ended 31 March		**For the three months ended 31 March**	
		2002	2001	**2002**	2001
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	3	**108,866**	117,179	**18,637**	22,070
Materials and equipment	3	**(61,145)**	(40,628)	**(13,248)**	(7,121)
		47,721	76,551	**5,389**	14,949
Other revenue		**3,494**	—	**286**	—
Staff costs		**(5,503)**	(6,451)	**(1,896)**	(1,763)
Depreciation of equipment and furniture		**(817)**	(765)	**(270)**	(238)
Provision for warranty costs		**(1,259)**	(5,866)	**—**	(1,113)
Other operating expenses		**(5,339)**	(12,783)	**(1,565)**	(4,702)
Profit from operations		**38,297**	50,686	**1,944**	7,133
Interest income		**91**	309	**20**	265
Profit before taxation		**38,388**	50,995	**1,964**	7,398
Taxation	4	**(936)**	(745)	**(118)**	(745)
Profit attributable to shareholders		**37,452**	50,250	**1,846**	6,653
Earnings per share — Basic	5	**RMB10.70 cents**	RMB17.10 cents	**RMB0.52 cents**	RMB2.07 cents

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 1 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 February 2001.

On 16 January 2001, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the nine months and three months ended 31 March 2001, rather than from the date on which the Reorganisation was completed.

The consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practices issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

2. Principal accounting policies

The principal accounting policies and methods of computation used in the preparation of the third quarter financial statements are consistent with those used in the annual audited financial statements for the year ended 30 June 2001 except as described below.

The Group's turnover was classified as (i) sales of system control equipment and software products, and (ii) fees for system integration services in prior periods. Since the adoption of revised SSAP 26 in August 2001, the turnover classified under heading (i) and (ii) was further detailed into two parts: Industrial automation services and Building automation services. Both the interim results and comparative results have been reclassified to conform with the requirement of the revised SSAP.

Industrial automation is divided into factory automation and process automation.

Factory automation and control refers to operations which manufacture individual items used mainly within the automotive, packaging and consumer goods industries. Products mainly consist of items such as programmable logic controllers (PLCs), robots, drives and standardised solutions.

Process automation and control refers to the continuous control solutions applied in processes where the main objective is to control the continuous production of products including raw, oil, electricity and paper at preferred levels. Its products consist of process automation systems, distributed control systems (DCSs), control instrumentation and analytical products such as meters.

Building automation services comprise product lines and application solutions particularly targeted at building industries. Product lines for this market include security and alarm, ventilating, heating, fire protection, gas warning, air conditioning and access control systems.

3. 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.

	For the nine months ended 31 March					
	Building automation 2002	**Industrial automation 2002**	**Total 2002**	Building automation 2001	Industrial automation 2001	Total 2001
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Income from fixed price contracts						
— Sales of system control equipment and software products	**63,221**	**17,266**	**80,487**	—	109,670	109,670
— Fees for system integration services	**28,329**	**50**	**28,379**	—	7,509	7,509
	91,550	**17,316**	**108,866**	—	117,179	117,179
Materials and equipment	**(47,640)**	**(13,505)**	**(61,145)**	—	(40,628)	(40,628)
	43,910	**3,811**	**47,721**	—	76,551	76,551

	For the three months ended 31 March					
	Building automation 2002	**Industrial automation 2002**	**Total 2002**	Building automation 2001	Industrial automation 2001	Total 2001
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Income from fixed price contracts						
— Sales of system control equipment and software products	**—**	**16,479**	**16,479**	—	21,468	21,468
— Fees for system integration services	**2,158**	**—**	**2,158**	—	602	602
	2,158	**16,479**	**18,637**	—	22,070	22,070
Materials and equipment	**(324)**	**(12,924)**	**(13,248)**	—	(7,121)	(7,121)
	1,834	**3,555**	**5,389**	—	14,949	14,949

4. Taxation

Taxation consists of:

	For the nine months ended 31 March		For the three months ended 31 March	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current taxation				
— Mainland China enterprise income tax	**936**	745	**118**	745

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 eight 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 2008.

5. Earnings per share

The calculation of basic earnings per share for the nine months and three months ended 31 March 2002 is based on the consolidated profit attributable to shareholders of approximately RMB37,452,000 and RMB1,846,000 (2001: RMB50,250,000 and RMB6,653,000) respectively and the weighted averaged number of approximately 350,000,000 and 350,000,000 shares (2001: 293,795,000 and 322,000,000 shares) deemed to be in issue during the period respectively.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the nine months and three months ended 31 March 2001 and 2002.

6. Reserves

Movements of reserves of the Group are as follows:

	Share premium	**Statutory reserve funds**	**Capital reserve**	**Retained profit**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099
Profit attributable to shareholders	—	—	—	37,452	37,452
As at 31 March 2002	7,160	5,309	13,841	101,241	127,551

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 31 March 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 March 2002, the Group has recorded a turnover of approximately RMB108,866,000, representing 7.1% decrease from approximately RMB117,179,000 for the corresponding period of 2001. Turnover for the nine-month period declined due to seasonal effects and certain contracts under negotiation to be delayed.

Profit attributable to shareholders decreased by approximately RMB12,798,000 to approximately 37,452,000 for the nine months ended 31 March 2002, representing a 25.47% decrease as compared with the corresponding period last year. Such decrease was primarily due to the reduction of profit margin derived from fixed price contracts (after deduction of related materials and equipment costs).

For the nine months ended 31 March 2002, total operating cost was approximately RMB12,918,000, representing a 50% decrease by comparing the figure in prior year. And for the three months ended 31 March 2002, total operating cost was approximately RMB3,731,000, representing an over 32% decrease by comparing the figure for the three months ended 31 December 2001. Such improved cost efficiency was mainly due to the success of cost control and resources redeployment.

As a result, earnings per share for the nine months period ended 31 March 2002 declined to approximately RMB10.70 cents, from approximately RMB17.10 cents for the corresponding period in 2001.

In the third quarter ended 31 March 2002, the Group's business has slowed down a little for seasonal reasons. This is within expectation as the Group focuses its operation in the PRC. Hopefully, the Group will catch up in the fourth quarter.

During the period under review, the Group has kept on its strategy to expand its market base and to generate stable income. The distribution agreement to represent Rockwell's products in Guangdong matches well with this strategy and adds value in promoting the Group's images. Furthermore, high potential has been recorded in the preliminary market survey. Rockwell offers a complete product range for industry automation solutions and has many famous leading brands such as Allen-Bradley, Reliance Electric, Dodge and Rockwell Software. It further strengthens the Group's capability in providing quality products and services to the customers. Optimistic future of this cooperation is expected.

The joint venture establishment with GE Transportation has been delayed due to management restructuring of GE. The Group will continue discussion with the relevant parties when it is settled.

Despite the Group's active participation, not much progress has been recorded for the major projects due to the long vacation for Chinese New Year. These include Shenzhen MRT, Shenzhen Airport Logistics Centre and Tianjin Metro Transit. The Group will follow up and keep the shareholders updated on the progress as soon as practicable.

Outlook

Following the recovery of world economy, the Group feels confident on the future of Hi-tech industry. The Group expects to be benefited in the recovery as well as the competitive production costs in the PRC. Extra resources will be allocated to marketing and business development in order to grasp this opportunity for expansion.

For R&D, the specialized systems designed for specific electro-mechanical equipment have completed preliminary tests. These include controllers or controlling systems for digital machines, molding machines, large scale cutting equipment and other industrial applications. The Group plans to promote these products to manufacturers abroad in the fourth quarter.

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 31 March 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 31 March 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 arrangement 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 employee share option scheme, the principal terms of which are set out in the Company's prospectus dated 31 January 2001.

As at 31 March 2002, no option was granted by the Company under the employee share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 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 held	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:

1. 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.

2. 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 Celectial Capital Limited ("CASH"), 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 31 March 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 to 5.25 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 three independent non-executive directors, namely Mr. Kuang Ding Bo, Mr. Wee Soon Chiang and Mr. Wong Kam Kau. The Group's unaudited results for the nine months ended 31 March 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 REDEMTION 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 May 2002