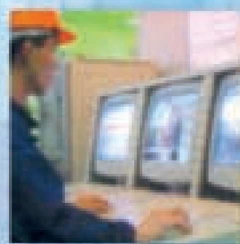
Techwayson Holdings Limited

德 維 森 控 股 有 限 公 司

(Incorporated in the Cayman Islands with Limited Liability)



Interim Report

2003/04

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 six months ended 31st December, 2003, together with the comparative figures for the corresponding period in the preceding year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**For the 6 months ended 31st December, 2003**	2002
		RMB'000	RMB'000
Turnover	*3*	**197,283**	59,248
Materials and equipment		**(170,010)**	(39,205)
		27,273	20,043
Other revenue	*3*	**543**	61
Staff costs	*5*	**(4,205)**	(3,224)
Amortisation of software development cost		**(2,473)**	(2,473)
Depreciation of equipment and furniture		**(566)**	(753)
Provision for warranty costs		**–**	(17)
Other operating expenses		**(4,744)**	(3,862)
Profit from operations		**15,828**	9,775
Finance cost		**(1,405)**	(244)
Profit before taxation	*6*	**14,423**	9,531
Income tax	*7*	**(2,981)**	(1,025)
Profit attributable to shareholders		**11,442**	8,506
Earnings per share			
– Basic	*8*	**RMB3.27 cents**	RMB2.43 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**31st December, 2003 (Unaudited) RMB'000**	30th June, 2003 (Audited) RMB'000
NON-CURRENT ASSETS			
Fixed assets	*10*	**4,028**	2,550
Property under development	*10*	**68,291**	68,291
Software development cost	*10*	**16,273**	18,746
Investment in securities		**35,801**	35,616
Total non-current assets		**124,393**	125,203
CURRENT ASSETS			
Inventories	*11*	**12,609**	11,979
Prepayments, deposits and other current assets		**69,368**	49,185
Pledged time deposits	*13*	**7,027**	6,834
Trade receivables	*12*	**119,215**	67,330
Bills receivables		**10,322**	–
Cash and bank deposits		**80,733**	73,066
Total current assets		**299,274**	208,394
CURRENT LIABILITIES			
Trade payables	*14*	**(111,451)**	(35,863)
Bills payable, secured	*14*	**(54,863)**	(51,416)
Accruals and other payables		**(5,649)**	(5,803)
Warranty provision	*15*	**(27)**	(27)
Receipts in advance		**(5,857)**	(6,006)
Loans payable – current portion	*16*	**(4,795)**	(3,578)
Short-term loans payable	*17*	**(30,000)**	(32,000)
Taxation payable	*2*	**(5,744)**	(3,934)
Total current liabilities		**(218,386)**	(138,627)
Net current assets		**80,888**	69,767
Total assets less current liabilities		**205,281**	194,970
NON-CURRENT LIABILITIES			
Loans payable	*16*	**(11,987)**	(13,118)
Net assets		**193,294**	181,852
CAPITAL AND RESERVES			
Share capital	*18*	**37,100**	37,100
Reserves		**156,194**	144,752
Shareholders' equity		**193,294**	181,852

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the 6 months ended 31st December, (Unaudited)	
	2003	2002
	RMB'000	RMB'000
NET CASH FROM OPERATING ACTIVITIES	**13,487**	15,664
NET CASH USED IN INVESTING ACTIVITIES	**(2,501)**	(61,478)
NET CASH USED IN FINANCING ACTIVITIES	**(3,319)**	(2,629)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,667**	(48,443)
CASH AND CASH EQUIVALENTS AT 1 JULY	**73,066**	70,547
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**80,733**	22,104
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**80,733**	22,109
Bank overdraft, unsecured	**–**	(5)
	80,733	22,104

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	General reserve fund	Capital reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30th June, 2003 (Audited)	37,100	7,160	5,309	13,841	118,442	181,852
Profit attributable to shareholders	–	–	–	–	11,442	11,442
As at 31st December, 2003 (Unaudited)	37,100	7,160	5,309	13,841	129,884	193,294
As at 30th June, 2002 (Audited)	37,100	7,160	5,309	13,841	108,819	172,229
Profit attributable to shareholders	–	–	–	–	8,506	8,506
As at 31st December, 2002 (Unaudited)	37,100	7,160	5,309	13,841	117,325	180,735

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

1. Background of the Company

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment holding and design, supply and integration of automation and control systems.

2. Basis of preparation and principal accounting policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA"). The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th June, 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (revised) "Income taxes" issued by the HKSA. The effect of such change to the results of the period is not material and details of this change in accounting policy will be provided in the 2004 Annual Report.

a) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. Turnover and other revenue

The Group's turnover represented revenue generated from two main categories: automation products and project and technical services and is stated after deducting PRC value-added tax and city and county maintenance tax.

To facilitate a meaningful presentation of the Company's business and revenues, the Company has changed its presentation for business segment reporting from "building automation" and "industrial automation" in the previous period to "automation products" and "project and technical services" for the six months ended 31st December, 2003. The change in basis was necessary because of the Group's effort to develop its own product TCS and distribution of automation products for other international brands and at the same time to develop project and technical support services. Arising from the change, which does not represent a change in accounting policy, the comparative figures for the previous period have been restated to conform with the current period's presentation of accounts.

	For the 6 months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Turnover		
Automation products	**194,863**	58,635
Project and technical services	**2,420**	613
Total turnover	**197,283**	59,248
Other revenue		
Reversal of warranty provision	**–**	17
Interest income	**71**	7
Sundry income	**472**	37
	543	61
Total revenue	**197,826**	59,309

4. Segment information

Business segments

	For the 6 months ended 31st December,					
	Automation products		**Project and technical services**		**Consolidated**	
	2003	2002	**2003**	2002	**2003**	2002
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE	**195,170**	58,635	**2,420**	613	**197,590**	59,248
SEGMENT RESULT	**25,477**	16,939	**526**	110	**26,003**	17,049
Sundry Income					**236**	61
Unallocated expenses					**(11,672)**	(7,335)
Profit from operations					**14,567**	9,775
Finance costs					**(144)**	(244)
Profit before taxation					**14,423**	9,531
Income tax					**(2,981)**	(1,025)
Profit after taxation					**11,442**	8,506
OTHER INFORMATION						
Amortisation of software development costs	**–**	2,473	**–**	–	**2,473**	2,473

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	For the 6 months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from external customers		
PRC (including Hong Kong and Macau)	**67,818**	59,248
Malaysia	**27,493**	–
Korea	**101,972**	–
	197,283	59,248

All segment assets and capital expenditures are in the PRC (including Hong Kong).

5. Staff costs

	For the 6 months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries and allowances	**3,942**	3,086
Contributions to defined contribution plans	**263**	138
	4,205	3,224

6. Profit before taxation

Profit before taxation is arrived at after charging:

	For the 6 months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings and loans repayable within 5 years	**1,261**	81
Interest on other borrowings wholly repayable after 5 years	**144**	163

7. Income tax

Income tax consists of:

	For the 6 months ended 31st December,	
	2003	2002
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current taxation		
– PRC enterprise income tax	**634**	898
– Hong Kong profits tax	**2,347**	127
	2,981	1,025

7. Income tax *(continued)*

a) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

c) PRC enterprise income tax

Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

Techwayson Industrial Limited, being a High-Tech enterprise and a wholly-owned subsidiary of the Company established and operated in a special economic zone of the PRC, is normally subject to the PRC enterprise income tax at a rate of 15%. However, it is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

The tax exemption period expired on 31st December, 2000 and thereafter, Techwayson Industrial Limited is subject to the PRC enterprise income tax at 7.5% for 3 years until 31st December, 2003, and another 3 years until 31st December, 2006 provided it continues to qualify as a High-Tech enterprise.

The Group did not have material unprovided deferred taxation at 31st December, 2003 (30th June, 2003: Nil).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 31st December, 2003 is based on the consolidated profit attributable to shareholders of approximately RMB11,442,000 (2002: RMB8,506,000) and the weighted average number of 350,000,000 shares (2002: 350,000,000 shares) in issued during the period.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the six months ended 31st December, 2003 and 2002.

9. Dividend

The directors do not recommend the payment of a dividend for the six months ended 31st December, 2003 (2002: Nil).

10. Capital expenditure

	For the 6 months ended 31st December, 2003		
	Fixed assets (Unaudited)	**Property under development (Unaudited)**	**Software development cost (Unaudited)**
	RMB'000	**RMB'000**	**RMB'000**
Net book value at 1st July, 2003	2,550	68,291	18,746
Additions	2,597	–	–
Disposals	(553)	–	–
Depreciation/amortisation	(566)	–	(2,473)
Net book value at 31st December, 2003	4,028	68,291	16,273

The property under development is located in the PRC and the Group has obtained the land use right certificate for the leasehold land with a lease period of 50 years in January 2003.

11. Inventories

	31st December, 2003 (Unaudited)	30th June, 2003 (Audited)
	RMB'000	RMB'000
Raw materials	**4,092**	78
Work in progress	**2,293**	2,198
Merchandises	**6,224**	9,703
	12,609	11,979

12. Trade receivables

Trade receivables consisted of:

	31st December, 2003 (Unaudited)	30th June, 2003 (Audited)
	RMB'000	RMB'000
Trade receivables	**117,882**	65,950
Retention monies receivable *	**1,333**	1,380
	119,215	67,330

* *Retention monies are receivable upon expiry of the product warranty period ranging from one to three years after completion of the contract.*

12. Trade receivables *(continued)*

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers whose terms are extended to two to three months.

Ageing analysis of trade receivables is as follows:

	31st December, 2003 (Unaudited) RMB'000	30th June, 2003 (Audited) RMB'000
0 to 60 days	**37,693**	55,755
61 – 90 days	**70,005**	14
91 – 365 days	**3,754**	11,531
Over 365 days	**7,763**	30
	119,215	67,330

13. Pledged time deposits

As at 31st December, 2003, fixed deposit of approximately RMB7,027,000 (30th June, 2003: RMB6,834,000) had been pledged to banks under lien to secure banking facilities granted to the Group.

14. Trade payables and bills payable

Ageing analysis of trade payables and bills payable is as follows:

	31st December, 2003 (Unaudited) RMB'000	30th June, 2003 (Audited) RMB'000
Trade payables:		
0 to 60 days	**25,226**	28,828
61 – 90 days	**37,594**	–
91 – 365 days	**47,650**	2,403
Over 365 days	**981**	4,632
	111,451	35,863
Bills payable:		
0 – 60 days	**46,511**	51,416
61 – 90 days	**8,352**	–
	54,863	51,416

15. Warranty provisions

	(Unaudited)
	RMB'000
As at 1st July, and 31st December, 2003	27

The warranty provision represents management's best estimate of the Group's liability during the 1 to 3 years warranty period granted on automation products and project and technical services based on historical experience and management's estimate of anticipated level of future claims.

16. Loans payable

	31st December, 2003 (Unaudited)	30th June, 2003 (Audited)
	RMB'000	RMB'000
Other loans, unsecured	**16,782**	16,696

The above loans are not wholly repayable within five years and the maturity is as follows:

	31st December, 2003 (Unaudited)	30th June, 2003 (Audited)
	RMB'000	RMB'000
On demand or within one year	**4,795**	3,578
More than one year, but not exceeding two years	**2,398**	2,385
More than two years, but not exceeding five years	**7,192**	7,155
More than five years	**2,397**	3,578
	16,782	16,696
Less: Amounts due within one year shown under current liabilities	**(4,795)**	(3,578)
	11,987	13,118

The loans bear interest at LIBOR plus 0.5% p.a. and are repayable in 16 equal instalments over a period of 8 years.

17. Short term loans payable

	31st December, 2003 (Unaudited)	30th June, 2003 (Audited)
	RMB'000	RMB'000
Bank loan, secured	**30,000**	30,000
Other loan, unsecured	**–**	2,000
	30,000	32,000

18. Share capital

There were no movements in the share capital of the Company during the period under review.

19. Commitments

a) Capital commitments

	31st December, 2003 (Unaudited) RMB'000	30th June, 2003 (Audited) RMB'000
Authorised and contracted for		
– Investment in a subsidiary	–	10,000
– Property under development	59,572	59,500

b) Operating lease commitments

As at 31st December, 2003, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	31st December, 2003 (Unaudited) RMB'000	30th June, 2003 (Audited) RMB'000
Within one year	1,806	2,795
Beyond one year but within five years	1,348	2,897
	3,154	5,692

20. Contingent liabilities

The Company has executed corporate guarantees to banks for securing banking facilities granted to its subsidiaries. As at 31st December, 2003, the amount utilised by these subsidiaries amounting to approximately RMB84,863,000 (30th June, 2003: approximately RMB81,416,000) .

CCIF

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AUDITORS' INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF TECHWAYSON HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2003.

Charles Chan, Ip & Fung CPA Ltd.
Certified Public Accountants
Hong Kong, 29th March, 2004

Chan Wai Dune, Charles
Practising Certificate Number P00712

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review:

For the six months ended 31st December, 2003, the Group has recorded an unaudited turnover of approximately RMB197,283,000, representing 232.9% increase when compared with the corresponding period of 2002. Gross profit and net profit attributable to shareholders have also increased from RMB20,043,000 to RMB27,273,000 and RMB8,506,000 to RMB11,442,000 respectively. The increase is mainly due to the Group's success in selling its own TCS products aboard.

During the second half of 2003, the economy of The Peoples' Republic of China continued to grow strongly amid a lackluster performance of the world market. In spite of the war in Iraq and the outbreak of SARS, China's manufacturing sector was largely not affected.

China has two major industrial bases located in the Pearl River Delta and the Yangtze River Delta regions, which make it one of the world's largest manufacturing countries. The Company conducted a thorough study of plant and equipment production in the Southern China Region which indicates a strong demand for automation system from plant and equipment manufacturers for their products. This demand was translated into the Group's strategy of providing automation system for OEM plant and equipment manufacturers.

On the other hand, the use of the Group's TCS in OEM plant and equipment for export had significant progress during the period under review. Apart from injection moulding machines, other applications like advanced train control system and video monitoring system also have successful breakthrough and progress.

With respect to research and development of the Group's product, the Group continues to follow the market's demand and its own product development strategy to develop small to medium and micro PLC products (MICRO-TCS) in addition to its already developed medium to large PLC systems. The Group also continues to develop a general platform for specialised controllers to meet the demand from domestic OEM plant and equipment manufacturers. With regard to developed controller system for specialised machinery and equipment, its penetration into the Southern China Region, particularly the Pearl River Delta, has shown some success.

Apart from developing and marketing its own product, the Group also started distributing automation products for a number of renowned brands. Capitalising on these international corporations' brand names, sales management and market penetration experience, the Group continuously refined its own management and sales channel; thereby improving its sales and market share. During the period under review, the cooperation between the Group and Rockwell, the number one automation system producer in North America, has brought fruitful results. In consequence, an award for being the "Highest Growth Distribution in Fiscal 2003" was awarded by Rockwell. In addition, the Group's distribution business for Siemens has made great progress. We foresee the Company will continue expanding its distribution business for other automation products and for other well established international companies. Products under consideration include: meters, instruments, electric transmission products and others.

Outlook:

Building on its existing product research and development platform, the Group will further develop other applications for its own TCS products, especially in plant and equipment production and remote monitoring system for oil fields; as well as expanding the applicability of TCS in injection moulding, automotive control system and other specialised plant and equipment. In the research and development of embedded software, the Group will focus on design and testing of embedded software for RTU and PLC. These embedded software will either be sold as a total solution or as a stand alone software product.

On sales and marketing, the Group will continue working with large international companies, aiming at improving its sales network, developing its own dealers and systems integrators, and strengthening its market share and product image. Management believes this will reach a mutually rewarding benefit for its Group and its partners and ourselves. Also, the Company will focus on increasing its market share, widening its product lines, strengthening its sales network, and expanding applications of its products through product and service differentiation, with a view to increase sales and profit margin.

Finance

Profit attributable to shareholders

For the six months ended 31st December, 2003, profit attributable to shareholders increased by approximately RMB2,936,000 to approximately RMB11,442,000, representing a 34.5% increase as compared with the corresponding period in 2002. The increase is mainly due to the Group's success in selling its own TCS products aboard.

Earnings per share for the six months ended 31st December, 2003 improved to RMB3.27 cents from RMB2.43 cents for the corresponding period in 2002.

Liquidity and financial resources

All of the Group's borrowings are denominated in Hong Kong dollars and Renminbi while the turnover of the Group are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates was considered minimal and no financial instruments have been used for hedging purpose.

The borrowing maturity profile of the Group as at 31st December, 2003 is analysed as follows:

	At 31st December, 2003 (Unaudited) RMB'000
Repayable within one year	34,795
Repayable after 1 year but within 2 years	2,398
Repayable after 2 years but within 5 years	7,192
Over 5 years	2,397
	46,782

As at 31st December, 2003, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets was 11.0% (30th June, 2003: 14.6%). Management believes that the gearing ratio was at an acceptable level for the Group and the Group would be able to generate sufficient financial resources to discharge its debt.

As at 31st December, 2003, certain subsidiaries have been granted banking facilities against a corporate guarantee given by The Company, the Company has contingent liabilities amounting to approximately RMB84,863,000 (30th June, 2003: approximately RMB81,416,000), in respect of banking facilities granted to and utilised by these subsidiaries.

As at 31st December, 2003, time deposits of approximately RMB7,027,000 (30th June, 2003: approximately RMB6,834,000) have been pledged to banks under lien to secure banking facilities granted to the Group.

Other than those disclosed in the Company's prospectus and listing documents dated 31st January,2001 and 30th December, 2002 respectively under the section headed "Business Objectives and Future Prospects" and "Future Plans and Prospects" respectively, there has been no material change in the Group's future plan for material investments and acquisition of material capital assets as at 31st December, 2003.

Significant Investment

Investment in securities

In September 2001, the Group acquired an effective 18.52% interest in Tongling Huarui Electronic Materials Co. Ltd. ("Tongling"), a sino-foreign joint venture enterprise established in the PRC, as a long-term investment. Tongling is primarily engaged in the production and distribution of (i) epoxide woven glass fabric copper clad laminate (FR-4); and (ii) thin and rigid laminate used in multi-layer printed circuit board (PCB). As at 31st December, 2003, Tongling reported an unaudited net tangible asset value of approximately RMB117.06 million (as at 31st December, 2002: approximately RMB103.76 million). As no dividend was declared by Tongling for its financial year ended 31st December, 2003, no dividend income was received by the Company during the six months under review in respect of the investment in Tongling.

Property under development

Due to the delay in issuance of "site permit", the completion date of the Group's R&D Centre which was originally scheduled in October 2004, will now postpone to early 2005. Nevertheless, all respective construction work has already commenced in December 2003.

Segmental Information

To facilitate a meaningful presentation of the Company's business and revenues, the Company has changed its presentation for business segment reporting from "building automation" and "industrial automation" in the previous period to "automation products" and "project and technical services" for the six months ended 31st December, 2003. The change in basis was necessary because of Group's effort to develop its own product TCS and distribution of automation products for other international brands and at the same time to develop project and technical support services. Arising from the change, which does not represent a change in accounting policy, the comparative figures for the previous period have been restated to conform with the current period's presentation of accounts.

With the increased contribution from the sales of TCS and automation products from other brands, the segment of automation products has recorded a significant increase in turnover by 232.8% when compared to the corresponding period of 2002. The Company believes such business model will grow as the sales channel and cooperation with other brands further develop.

Turnover from project and technical services was only RMB2,420,000. This is due to the long duration to develop such business and the delay of existing projects in the period.

Employee information

For the six months ended 31st December, 2003, the Group has recorded staff costs of approximately RMB4,205,000 representing 30.4% increase from approximately RMB3,224,000 for the corresponding period in 2002. The number of staff increased from 79 employees (as at 31st December, 2002) to 100 employees (as at 31st December, 2003). The Group encourages high productivity and provides competitive remuneration packages to employees commensurable to their qualification and the market level in the business in which the Group operates. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides contribution to mandatory provident fund and medical benefits for its staff in Hong Kong and similar benefits for its staff in the PRC.

INTERESTS OF DIRECTORS

As at 31st December, 2003, the interests and short positions of the Directors in the Shares or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) to be entered into the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interests	Number of shares held
Dr. SZE Kwan	Corporate	161,700,000*

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

Save as disclosed above and in the section headed "Interests of Substantial Shareholders" below, as at 31st December, 2003, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) to be entered into the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital:

Long positions in the Shares of the Company:

Name	Number of shares held	Approximate Shareholding
Otto Link Technology Limited[1]	161,700,000	46.20%
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 a director of the Company.

2. Goldwiz Holdings Limited is the 100% holding company of Goldwiz Technology Limited and is therefore deemed to be interested in the 61,824,000 Shares held by Goldwiz.

Save as disclosed above and in the section headed "Interests of Directors" and so far as known to the Directors, as at 31st December, 2003, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 20th January,2003, the share option scheme adopted by the Company on 22nd January,2001 (the "Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. The purpose of the New Scheme is to provide incentive and to recognise the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide more flexibility to the Group in terms of remunerating the participants.

During the six months ended 31st December, 2003, no option was granted, exercised or cancelled by the Company under the Scheme.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code.

The audit committee comprises two independent non-executive directors, namely Mr. Wee Soon Chiang and Mr. Wong Kam Kau. The interim results for the six months ended 31st December, 2003 have been reviewed by the audit committee, who were of the opinion that the preparation of such results complied with applicable accounting standards and legal requirements and that adequate disclosures had been made.

The unaudited interim financial statements for the six months ended 31st December, 2003 has also been reviewed by the Group's auditors in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

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 six months ended 31st December, 2003.

CODE OF BEST PRACTICE

In so far as the Directors are aware, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company's Bye-Laws.

By Order of the Board
SZE Kwan
Chairman

Hong Kong, 29th March, 2004