



Techwayson Holdings Limited
(Incorporated in the Cayman Islands with Limited Liability)



Tailored Control System

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

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This announcement 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover increased by approximately 520% for the nine months ended 31 March 2001 compared with the corresponding period in 2000.
- Profit attributable to shareholders increased by approximately 703% for the nine months ended 31 March 2001 compared with the corresponding period in 2000.
- Earnings per share for the nine months ended 31 March 2001 rose to HK16.11 cents from HK2.1 cents for the corresponding period in 2000.

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 and nine months ended 31 March 2001, together with the comparative figures for the corresponding periods in 2000 as follows:

	Notes	For the three months ended 31 March				For the nine months ended 31 March			
		2001		2000		2001		2000	
		RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000
			(Note 5)		(Note 5)		(Note 5)		(Note 5)
Turnover	2	22,070	20,784	1,346	1,270	117,179	110,349	18,870	17,802
Cost of Sales		(7,121)	(6,706)	(578)	(546)	(40,628)	(38,260)	(8,108)	(7,649)
Gross Profit		14,949	14,078	768	724	76,551	72,089	10,762	10,153
Distribution and selling expenses		(422)	(397)	(69)	(65)	(2,762)	(2,601)	(451)	(426)
General and administrative expenses		(7,394)	(6,963)	(1,287)	(1,214)	(23,103)	(21,756)	(4,080)	(3,849)
Profit/(Loss) from Operations		7,133	6,718	(588)	(555)	50,686	47,732	6,231	5,878
Interest Income		265	250	5	5	309	291	16	15
Profit/(Loss) before taxation		7,398	6,968	(583)	(550)	50,995	48,023	6,247	5,893
Taxation	3	(745)	(702)	—	—	(745)	(702)	—	—
Profit/(Loss) attributable to shareholders		6,653	6,266	(583)	(550)	50,250	47,321	6,247	5,893
		RMB	HK\$	RMB	HK\$	RMB	HK\$	RMB	HK\$
Earnings per share — Basic	4	2.07 cents	1.95 cents	(0.21) cents	(0.20) cents	17.10 cents	16.11 cents	2.23 cents	2.10 cents

Notes:

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 ("Shares") have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 8 February 2001.

On 16 January 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") which included exchange of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results of operation 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 and 2000 rather than from the date on which the Reorganisation was completed.

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

2. Turnover

The Group's turnover was mainly contributed from fixed price contracts in respect of (i) sales of system control equipment and software products, and (ii) fees for system integration services. The Group's income from fixed price contracts is stated after deducting Mainland China value-added tax ("VAT") at 6 per cent. of revenue from fixed price contracts, city and county maintenance tax at 1 per cent. of the amount of VAT levied, and educational surcharge at 3 per cent. of the amount of VAT levied.

A substantial portion of the Group's turnover for the nine months ended 31 March 2001 was derived from transaction with 3 customers located in Mainland China.

3. Taxation

(i) *Hong Kong profits tax:*

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

(ii) *Mainland China Enterprise income tax:*

Techwayson Industrial Limited, a wholly-owned subsidiary, is an enterprise established and operated in a special economic zone of Mainland China and is subject to 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 per cent. reduction in Mainland China Enterprises income tax for the next three years. The tax exemption period is from 1 January 1999 to 31 December 2000.

4. Earnings per Share

The calculation of basic earnings per Share for the three months and nine months ended 31 March 2001 was based on the unaudited consolidated profit attributable to shareholders of approximately HK\$6,266,000 and HK\$47,321,000 (2000: HK\$(550,000) and HK\$5,893,000) and the weighted averaged number of 322,000,000 and 293,795,000 (2000: 280,000,000 and 280,000,000) ordinary shares in issue throughout the relevant accounting periods respectively, after taking into consideration of the capitalisation issue in February 2001 as described in details to the Company's prospectus dated 31 January 2001.

Diluted earnings per Share was not presented because there were no dilutive potential ordinary shares in existence during the periods.

5. Foreign currency translation

Translation of amounts from Chinese Renminbi ("RMB") into Hong Kong dollars ("HK\$") is for the convenience of readers and has been made at the rates of exchange of approximately RMB106.19 = HK\$100 for the nine months ended 31 March 2001 (2000: RMB106 = HK\$100) No representation is made that the RMB amounts could have been, or could be, converted into HK\$ at such rates or at any other rate. Such translation is only for the convenience of readers and does not conform to accounting principles generally accepted in Hong Kong.

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 31 March 2001. [2000: Nil]

BUSINESS REVIEW AND OUTLOOK

Finance

The Group was successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 8 February 2001. Net Proceeds of approximately HK\$40 million was raised to accelerate business growth. The listing exercise allows the Group to further expand business while also strengthen its position as a total solution provider of automation and control system in the PRC.

For the nine months ended 31 March 2001, the Company recorded a turnover of approximately HK\$110,349,000 representing a 520% increase as compared to the same period in the previous financial year. As the Group is still the only domestic provider of an automation and computer system solution in the PRC, the Group has enjoyed a high gross profit margin of approximately 65% from approximately 57% for the same period in the previous financial year.

Sales and Marketing

In order to further expand the Group's distribution network, in January 2001 the Group entered into an agency agreement with Kuming Pai Li Electronics Ltd, which is an enterprise in the Kuming, PRC, for it to be the Company's exclusive agent in Panzhihua, Sichuan Province and Yunnan Province only and to be the Company's technical services centre in Kuming

In February 2001, the Group established a training center with the China Automation Society and provided training courses on TCS system for customers with an aim to enhance corporate image and materializing full product benefits.

Since January 2001, the Group has planned to cooperate with Hunan General Electric Group, a state-owned enterprise in the PRC which specialises in producing metro railway vehicles and industrial locomotive, to develop a metro monitoring system and a frequency transducer embedding with a TCS controller. In February 2001, the first locomotive control and monitoring system was to be tested in Tianjin metro railway, and the preliminary result was satisfactory.

Research and Development

By the end of February 2001, the Group has developed APC models in blasting furnace burning control. At the same time, APC models are being developed to include the basic functions common to various industries.

In March 2001, the Group formed partnership with Baosteel group and other large-scale state-owned enterprises for commercial implementation of APC technology in automation and control systems and to jointly develop automation and control systems with APC functions for showcase projects in order to attract potential customers.

The Group will be continuing to develop flammable controller modules suitable for use in flammable gas working environments and to replace the existing modules which need to be segregated from explosive environments. Since this function is especially useful in oil, petroleum and refinery industries, the new product will enhance the competitive advantage of the Company's products in related industries.

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 2001, 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 5.4 of the GEM Listing Rules, the interests of Directors in the securities of the Company and its associated companies 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.

Saved as disclosed above, as at 31 March 2001, none of the Directors or their associates had any interests in the issued share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 March 2001, 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 and chief executive 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, 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 or chief executive) 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%
Open Mission Assets Limited ³	61,824,000	17.66%
Mr. Liu Xue Lin ⁴	61,824,000	17.66%
Mr. T. Siu	38,976,000	11.14%

Notes:

- Otto Link Technology Limited is an investment company 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.
- Open Mission Assets Limited is deemed to be interested in the 61,824,000 Shares held by Goldwiz by virtue of its approximately 41.05% equity interest in Goldwiz Holdings. Open Mission Assets Limited is beneficially owned as to 50% by Mr. Liu Xue Lin, 32.5% by Mr. Chim Kim Lun, Ricky, 15% by Mr. Kwok Lin through Cyber Ocean Limited and 2.5% by Mr. Lee Tiong Hock. Mr. Liu, Chim, Kwok and Lee are all directors of Goldwiz Holdings and Mr. Lee Tiong Hock is also a Director of the Company. Save as disclosed herein, each of Open Mission Assets Limited, Mr. Liu Xue Lin, Mr. Chim Kim Lun, Ricky, Mr. Kwok Lin and Cyber Ocean Limited is independent from the Company and not connected with any of the chief executive, directors, management shareholders or substantial shareholders of the Company and does not have any competing business with the Group.
- Mr. Liu Xue Lin is deemed to be interested in the 61,824,000 shares held by Goldwiz by virtue of his 50% equity interest in Open Mission Assets Limited.

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 31 March 2001, no option was granted by the Company under the Share Option Scheme.

SPONSOR'S INTEREST

None of the Company's sponsor, China Everbright Capital Limited ("China Everbright"), 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 2001.

Pursuant to the agreement dated 30 January 2001, entered into between the Company and China Everbright, China Everbright has been retained to act as the Company's sponsor for the period from 30 January 2001 to 30 June 2003 in return for a monthly advisory fee.

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 primary duties of the audit committee are to review and providing supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, Mr. Chao Fu Kun and Mr. Kuang Ding Bo. The Group's unaudited results for the nine months ended 31 March 2001 have been reviewed by the audit committee, who were of the opinion that the preparation of such result complied with applicable accounting standards, the Exchange and legal requirements and that adequate disclosures had been made.

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

Since dealings in the Shares only commenced on GEM on 8 February 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the period under review.

By Order of the Board
SZE Kwan
Chairman

Hong Kong, 14th May, 2001

This announcement will remain on GEM Website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of Techwayson Holdings Limited at www.techwayson.com.hk.