Techwayson Holdings Limited
德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2330)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2004

The Board of Directors (the "Directors") of Techwayson Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2004, together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the 6 months ended 31st December,	
		2004	2003
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**99,493**	197,283
Materials and equipment		**(82,431)**	(170,010)
		17,062	27,273
Other revenue	*3*	**521**	543
Staff costs	*5*	**(4,297)**	(4,205)
Amortisation of deferred software development costs		**(2,300)**	(2,473)
Depreciation of equipment and furniture		**(739)**	(566)
Other operating expenses		**(5,721)**	(4,744)
Profit from operations		**4,526**	15,828
Finance costs	*6*	**(4,592)**	(1,405)
(Loss)/profit before taxation		**(66)**	14,423
Income tax	*7*	**(1,220)**	(2,981)
(Loss)/profit attributable to shareholders		**(1,286)**	11,442
(Loss)/earnings per share	*8*		
– Basic		**(RMB0.37 cents)**	RMB3.27 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	31st December, 2004 (Unaudited) RMB'000	30th June, 2004 (Audited) RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**4,037**	4,909
Property under development	**68,291**	68,291
Deferred software development cost	**6,900**	9,200
Investment in securities	**35,811**	35,616
Total non-current assets	**115,039**	118,016
CURRENT ASSETS		
Inventories	**5,183**	8,360
Prepayments, deposits and other current assets	**57,134**	118,728
Pledged time deposits	**–**	6,872
Trade receivables	**24,080**	86,349
Bills receivables	**14,655**	1,123
Time deposits	**100,000**	–
Cash and bank deposits	**30,513**	15,677
Total current assets	**231,565**	237,109
CURRENT LIABILITIES		
Trade payables	**(10,063)**	(47,356)
Bills payable, secured	**(13,484)**	(48,262)
Accruals and other payables	**(6,883)**	(6,843)
Warranty provision	**(22)**	(27)
Receipts in advance	**(4,310)**	(8,330)
Loans payable – current portion	**(5,068)**	(6,328)
Short-term loans payable	**(100,000)**	(30,000)
Taxation payable	**(6,894)**	(5,666)
Total current liabilities	**(146,724)**	(152,812)
Net current assets	**84,841**	84,297
Total assets less current liabilities	**199,880**	202,313
NON-CURRENT LIABILITIES		
Loans payable	**(8,393)**	(9,540)
Net assets	**191,487**	192,773
CAPITAL AND RESERVES		
Share capital	**37,100**	37,100
Reserves	**154,387**	155,673
Shareholders' equity	**191,487**	192,773

Notes:

1. **BACKGROUND OF THE COMPANY**
The principal activities of the Group are investment holding, design, supply and integration of automation and control systems.

2. **BASIS OF PRESENTATION AND ACCOUNTING POLICIES**
Basis of preparation
The unaudited 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 Institute of Certified Public Accountants (the "HKICPA"). The unaudited 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, 2004.

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.

	For the 6 months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Turnover		
Sales of automation products	**97,194**	194,863
Fees for project and technical services	**2,299**	2,420
Total turnover	**99,493**	197,283
Other revenue		
Reversal of warranty provision	**5**	–
Interest income	**506**	71
Sundry income	**10**	472
	521	543
Total revenue	**100,014**	197,826

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segments information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

	For the 6 months ended 31st December,					
Business segments	**Automation products**		**Project and technical services**		**Consolidated**	
	2004	2003	**2004**	2003	**2004**	2003
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
REVENUE	**97,194**	195,170	**2,299**	2,420	**99,493**	197,590
SEGMENT RESULT	**17,025**	25,477	**37**	526	**17,062**	26,003
Sundry income					**521**	236
Unallocated expenses					**(13,057)**	(11,672)
Profit from operations					**4,526**	14,567
Finance costs					**(4,592)**	(144)
(Loss)/profit before taxation					**(66)**	14,423
Income tax					**(1,220)**	(2,981)
(Loss)/profit after taxation					**(1,286)**	11,442
OTHER INFORMATION						
Amortisation of deferred software development costs	**2,300**	2,473	**–**	–	**2,300**	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,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from external customers		
PRC (including Hong Kong and Macau)	**99,493**	67,818
Malaysia	**–**	27,493
Korea	**–**	101,972
	99,493	197,283

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

5. **STAFF COSTS**

	For the 6 months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Salaries and allowances	**4,103**	3,942
Contributions to defined contribution plans	**194**	263
	4,297	4,205

6. **FINANCE COSTS**

	For the 6 months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank borrowings and loans repayable within 5 years	**3,910**	1,261
Interest on other borrowings wholly repayable after 5 years	**682**	144
	4,592	1,405

7. **INCOME TAX**

Income tax consists of:

	For the 6 months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current taxation		
– PRC enterprise income tax	**(339)**	634
– Hong Kong profits tax	**1,559**	2,347
	1,220	2,981

a) **Overseas income tax**

The Company was 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 were 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% (2003: 17.5%) on the estimated assessable profits earned by a subsidiary operating 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 three 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, 2004 (30th June, 2004: Nil).

8. **(LOSS)/EARNINGS PER SHARE**

The calculation of (loss)/basic earnings per share for the six months ended 31st December, 2004 is based on the consolidated loss attributable to shareholders of approximately RMB1,286,000 (2003: earnings of RMB11,442,000) and the weighted averaged number of 350,000,000 shares (2003: 350,000,000 shares) in issue during the period.

No diluted (loss)/earnings per share is presented as there were no dilutive potential ordinary shares in issue during the six months ended 31st December, 2003 and 2004.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31st December, 2004. (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the past half year under review, the economy of China developed in a relatively stable manner. The corresponding measures taken to control and constraint in infrastructure and fixed assets investments had significant impact on the Group's operating results, leading to a corresponding slowdown in business development of the Group, which was attributable to the deceleration of Techwayson Industrial exporting its products. However, the strategic business direction of the Group has not changed. For the long-term sustainable growth of the Group, we will continue to devote our efforts in such areas as developing new products, building up mainland sales channels and training of personnel in China.

In R&D front, we will deploy more resources as in the past in shortening product-launch cycle, expanding product lines and becoming market-oriented, with an aim to formulate an R&D strategy focusing on the market, and to gradually develop core technology as our market competitiveness.

The current period is a difficult period for the Group. Although the Group has successfully transformed itself into an automatic product provider, our products suffered setback in overseas markets, which led to an overall decline in the Group's results. The reasons for such decline are analysed as follows:

a) investment in our existing products as well as the R&D of new technology are not enough, while the speed and quantity of launching new products are not fast enough;

b) necessary to enhance the capacity in product development to cater for the demand of the emerging markets;

c) need to raise the ability in developing and protecting overseas market channels as well as the ability in responding to the prompt changes of overseas market.

The volume of sales in the Mainland market showed signs of deceleration. The main reason is that the lackluster product lines restricts market development effort.

There is a relatively satisfactory development regarding the co-operation with foreign automation companies. Co-operations with Rockwell, Siemens, Saia-Burgess and other companies were progressing smoothly and had significant contribution to the results of the Company.

Future Development

The Group will seriously review the problems occurred in the past period, analyse the reasons therefor, adjust the business structure and put the best foot forward in the R&D of our existing products. We will continue to place emphasis on the specialised controllers market with promising prospect and boost the product development and marketing of value-added OEM market application and automation application software. Apart from consolidating and enhancing current sales channel properly, we are committed to developing the sales channels in the Mainland market, enhancing pre-sales, sales and after-sales services as well as fully taking advantages of localised services, in order to turn around the current situation.

Finance

(Loss)/profit attributable to shareholders

For the six months ended 31st December 2004, the Group has recorded an unaudited turnover of approximately RMB99,493,000, representing 49.6% decrease when compared with the corresponding period of 2003. Loss attributable to shareholders and loss per share stated at RMB1,286,000 and RMB0.37 cents, represented a decrease of RMB12,728,000 and RMB3.64 cents when compared with the corresponding period.

Exposure to fluctuations in exchange rates

All of the Group's borrowings are denominated either in Hong Kong dollars or Renminbi while the turnover of the Group are 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.

Liquidity and financial resources

The borrowing maturity profile of the Group as at 31st December, 2004 is analysed as follows:

	31st December, 2004 (Unaudited) *RMB'000*
Repayable within one year	**105,068**
Repayable after 1 year but within 2 years	**2,398**
Repayable after 2 years but within 5 years	**5,995**
	113,461

As at 31st December, 2004, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets was 32.7% (30th June, 2004: 12.9%). Owing to the capital deployed in the development of the new R&D building and the expenses incurred in the expansion of distribution channel, the gearing ratio during the year has been increased. Management believes that the Group would be able to generate sufficient financial resources to discharge its financial commitments.

As at 31st December, 2004, certain subsidiaries have been granted banking facilities against a corporate guarantee given by the Company, the Company has contingent liabilities amounting to RMB113,484,000 (30th June, 2004: RMB18,262,000), in respect of banking facilities granted to and utilised by these subsidiaries.

As at 31st December, 2004, no fixed deposits (30th June, 2004: RMB6,872,000) had 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, 2004.

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, 2004, Tongling reported an unaudited net tangible asset value of approximately RMB122.72 million (as at 31st December, 2003: approximately RMB117.06 million). As no dividend was declared by Tongling for its financial year ended 31st December, 2004, no dividend income was received by the Company during the six months under review in respect of the investment in Tongling.

Property under development
The construction works for the Group's R&D Centre have already commenced in December 2003 and expected to complete in September, 2005. Upon completion, the property will comprise 7 floors with total area of approximately 14,000 square meters. Part of the property will be held for leasing purpose while part of it will be retained for the use by the Company. Based on the existing expanding property leasing market, the current average monthly rental is RMB70.00 per sq.m. in Nanshan District Shenzhen, the PRC. Therefore, management of the Group is optimistic about the future prospect of the property.

Segmental Information
The segment of automation products has recorded a decrease in turnover of 50.2% when compared to the corresponding period of 2003. Such amount has decreased as the development time of its own TCS products has experienced some delay. With the sales channel and the cooperative channel become more and more mature, management believes the result of this segment would be improved in the latter half of the year.

Turnover from project and technical services nature was only RMB2,299,000. 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 2004, the Group has recorded staff costs of RMB4,297,000 represented 2.2% increase from RMB4,205,000 for the corresponding period in 2003. The number of staff, nevertheless, decreased from 100 employees (as at 31st December, 2003) to 82 employees (as at 31st December, 2004). Decrease in headcounts as the Group aimed to improve the efficiency by simplifying the Group structure. The Group encourages high productivity and provides competitive remuneration packages to employees to commensurable to their qualification and the market level in the business in which the Group operates. Incentive schemes comprised discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides contributions to mandatory provident fund and medical benefits for its staff in Hong Kong and similar benefits for its staff in the PRC.

AUDIT COMMITTEE

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

The audit committee comprises three independent executive directors, namely Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen. The interim results for the six months ended 31st December, 2004 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, 2004 has also been reviewed by the Group's auditors in accordance with the statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public 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, 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period ended 31st December, 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Articles of Association.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, they confirm that they complied with the required standard as set out in the Model Code during the six months ended 31st December, 2004.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

All the information as required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
XIONG JIAN RUI
Chairman

Hong Kong, 23rd March, 2005

As at the date of this announcement, the Board comprises executive directors, namely Mr. Xiong Jian Rui, Mr. Shi Simon Hao, Mr. Tung Fai and Mr. Zhang Fang Hong and non-executive director, namely Mr. Lin Gongshi and independent non-executive directors, namely Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen.

* *For identification only*

Please also refer to the published version of this announcement in The Standard.