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

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2003

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)

		For the 6 months ended 31st December,	
		2003	2002
	Note	***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		**(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		**14,423**	9,531
Income tax	*5*	**(2,981)**	(1,025)
Profit attributable to shareholders		**11,442**	8,506
Earnings per share	*6*		
– Basic		**RMB3.27 cents**	RMB2.43 cents

Notes:

1. **BACKGROUND OF THE COMPANY**

   The Company was incorporated in the Cayman Islands on 1st 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 8th February, 2001. On 29th January, 2003, the Company withdrew the listing of its shares on GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by way of introduction.

   The principal activities of the Group are investment holding and design, supply and integration of automation and control systems.

2. **BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

   Basis of preparation

   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.

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 Mainland China value-added tax and city and county maintenance tax.

	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

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**	
	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. 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

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 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, 2003 (30th June, 2003: Nil).

6. 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 averaged number of 350,000,000 shares (2002: 350,000,000 shares) in issue during the period.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in issue during the six months ended 31st December, 2002 and 2003.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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 the Group's 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, 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.

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:

	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 debts.

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 distribution 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 the cooperative channel become more and more mature.

Turnover from project and technical services nature 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 their qualifications. Incentive schemes comprised of 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 two independent 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 team of office but retire from office on a rotational basis in accordance with the Company's Bye-Laws.

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
SZE Kwan
Chairman

Hong Kong, 29th March, 2004

* *For identification only*

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