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

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

FINAL RESULTS FOR THE YEAR ENDED 30TH JUNE 2004

The Directors of Techwayson Holdings Limited (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th June 2004 together with the comparative figures for the year ended 30th June 2003 are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2004** *RMB'000*	2003 *RMB'000*
Turnover	*3*	**359,172**	161,811
Materials and equipment		**(310,139)**	(106,560)
		49,033	55,251
Other revenue	*3*	**806**	1,133
Staff costs		**(9,532)**	(8,047)
Depreciation and amortisation		**(10,822)**	(6,173)
Provision for warranty costs		**–**	(6)
Other operating expenses		**(11,657)**	(12,312)
Profit from operations		**17,828**	29,846
Impairment loss on investment securities		**–**	(16,324)
Finance costs	*4*	**(3,024)**	(456)
Profit before taxation	*5*	**14,804**	13,066
Taxation	*7*	**(3,883)**	(3,443)
Profit attributable to shareholders		**10,921**	9,623
Earning per share			
– Basic	*8*	**RMB3.12 cents**	RMB2.75 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 had been listed on the Stock Exchange of Hong Kong Limited.

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

2. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice (SSAP) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are effective for accounting periods commencing on or after 1st January 2003:

SSAP 12 (revised)	:	Income taxes
SSAP 35	:	Government grant

The adoption of these standards has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND REVENUE

Turnover and revenue consist of:

	2004 *RMB'000*	2003 *RMB'000*
Income from*		
– Sales of automation products	**354,573**	160,592
– Fees for project and technical services	**4,599**	1,219
Total turnover	**359,172**	161,811
Other revenue		
– Reversal of warranty provision	**–**	39
– Government grant	**307**	–
– Sundry income	**357**	1,040
– Interest income	**142**	54
	806	1,133
Total revenue	**359,978**	162,944

* *The Group's income excludes Mainland China value-added tax.*

Approximately 79% (2003: 77%) of the Group's turnover was made to top five customers for the year ended 30th June 2004.

4. FINANCE COSTS

	2004 *RMB'000*	2003 *RMB'000*
Interest on bank borrowings and overdraft wholly repayable within 5 years	**2,687**	172
Interest on other borrowings wholly repayable after 5 years	**337**	284
	3,024	456

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2004 *RMB'000*	2003 *RMB'000*
Staff costs (including directors' emoluments)	**8,988**	7,544
Contributions to defined contribution plan	**544**	503
Less: Amount included in research and development expenditures	**(807)**	(172)
	8,725	7,875
Operating lease rentals of premises	**2,357**	1,711
Research and development expenditures	**1,234**	524
Advertising and promotion costs	**190**	90
Depreciation of fixed assets	**1,276**	1,228
Amortisation of software development costs	**9,546**	4,945
Less: Amount included in research and development expenditures	**(317)**	(264)
	10,505	5,909
Professional fees in respect of listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction	**–**	4,116
Loss on disposal of fixed assets	**335**	43
Auditors' remuneration	**360**	339

6. SEGMENT INFORMATION

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

Business Segments
Segment information about these businesses for the year is presented below:

	Automation products *RMB'000*	Project and technical services *RMB'000*	Consolidated *RMB'000*
For the year ended 30th June 2004			
Revenue	**354,573**	**4,599**	**359,172**
Segment results	**37,079**	**1,144**	**38,223**
Sundry income			**499**
Unallocated expenses			**(20,894)**
Profit from operations			**17,828**
Finance costs			**(3,024)**
Profit before taxation			**14,804**
Taxation			**(3,883)**
Profit after taxation			**10,921**
Other Information			
Amortisation of software development costs	**9,546**	**–**	**9,546**

	Automation products *RMB'000*	Project and technical services *RMB'000*	Consolidated *RMB'000*
For the year ended 30th June 2003			
Revenue	160,592	1,219	161,811
Segment results	41,619	870	42,489
Sundry income			1,133
Unallocated expenses			(13,776)
Profit from operations			29,846
Impairment loss on investment securities			(16,324)
Finance costs			(456)
Profit before taxation			13,066
Taxation			(3,443)
Profit after taxation			9,623
Other Information			
Amortisation of software development costs	4,945	–	4,945

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.

	2004 *RMB'000*	2003 *RMB'000*
Revenue from external customers		
PRC (including Hong Kong and Macau)	**133,414**	62,690
Malaysia	**65,641**	–
Singapore	**–**	65,327
Taiwan	**–**	20,300
Korea	**160,117**	13,494
	359,172	161,811

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

7. TAXATION

Taxation consists of:

	2004 *RMB'000*	2003 *RMB'000*
Current taxation		
– PRC enterprise income tax	**738**	1,874
– Hong Kong profits tax	**3,145**	106
– Macau complementary profits tax	**–**	1,463
	3,883	3,443

(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 at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit earned by a subsidiary operated in Hong Kong for the year.

(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.

(d) *Macau complementary profits tax*
Macau complementary profits tax has been calculated at 15% on the estimated assessable profits of a subsidiary operated in Macau.

There was no significant unprovided deferred taxation for the year ended 30th June 2004 (2003: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30th June 2004 is based on the consolidated profit attributable to shareholders of RMB10,921,000 (2003: RMB9,623,000) and the weighted average number of 350,000,000 shares (2003: 350,000,000 shares) in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the year ended 30th June 2004 (2003: Nil).

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 30th June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Notwithstanding the impact of the State's macro regulation and control measures, the Group recorded a total turnover of RMB359,172,000, representing an increase of 122% as compared with that of the previous year, and has realized a net profit of RMB10,921,000 with steady improvement in sales results.

This financial year was an important year for the Group in respect of business transformation. The Group has successfully switched from contracting works business to product sales and original equipment manufacturing (OEM) business model; among them, the Group's Tailored Control System (TCS) products have brought about good results for the Group in terms of plant and equipment OEM integration, with outstanding performance in the export of train control system and injection moulding machines in particular.

As to product R&D, the Group has made considerable progress. The medium Programmable Logic Controllers (PLC) system has been marketed extensively and has realized revenue gradually. The medium – small and micro PLC systems have also been put into production in small batches, and will realize revenue by the end of 2004. In addition, the R&D of some specialized controllers is in full swing and has achieved good initial results.

There were breakthroughs in international cooperation as well. While developing and engaging in self-developed products, the Group has taken the initiative to carry out co-operations with renowned enterprises at home and abroad, and has been examining unceasingly the sales and marketing co-operation model with large-scale international automation companies. In the past few years, we have established in succession co-operation relationships with Rockewell of US, Siemens of Germany, SAIA-Burgess of Switzerland and have accomplished a mutually rewarding benefits. In this year, the Group has also established collaboration relationship with Toshiba of Japan, exploring a vast market that facilitates the launch of the OEM business of PLC products.

Outlook

Based on its existing technological research and development platform, the Group will expand step by step its product offerings, especially in the development of specialized system for industrial and building sectors. Besides, the Group will also continue to reinforce technological co-operations with foreign companies and to improve the core technological competitiveness of its products. As for full utilization of its localization advantage, the Group will strengthen its depth and width co-operations with the large OEM production equipment producers in the PRC.

The Company will continue to intensify its effort in product sales and channel establishment with its co-operation partners, and will initiate joint development and production and so forth with foreign companies to foster and increase the market share of its products. The sales of the Group's self-developed products will see gradual perfection with the appointment of agents at all levels and completion of channel establishment such as distribution and system integration and so on. In regard to corporate image and brand promotion, the Group will keep on implementing strategic marketing and propagation by means of professional press media and professional network media. Meanwhile, promotions with a clear aim will also be organized, like professional technology forums and professional seminars, to expedite the building-up of the Group's brand awareness and customer loyalty.

Financial review

Exposure to fluctuation in exchange rates

All of the Group's borrowings are denominated either in Hong Kong dollars or Renminbi while the turnover of the Group is 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 year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Liquidity and financial resources

The borrowing maturity profiles of the Group as at 30th June 2004 is analysed as follows:

	As at 30th June 2004 (Audited) ***RMB'000***
Repayable within one year	**36,328**
Repayable after 1 year but within 2 years	**2,385**
Repayable after 2 years but within 5 years	**7,155**
Over 5 years	**–**
	45,868

As at 30th June 2004, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets was 12.9% (2003: 14.6%). The management believes that the gearing ratio is at an acceptable level for the Group and the Group would be able to generate sufficient financial resources to discharge its debt.

As at 30th June 2004, certain subsidiaries have been granted banking facilities against a corporate guarantee given by the Company, the Company has contingent liabilities amounting to RMB18,262,000 (30th June 2003: RMB81,416,000), in respect of banking facilities granted to and utilised by these subsidiaries.

As at 30th June 2004, time deposits of RMB6,872,000 (30th June 2003: 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 30th June 2004.

Significant Investment
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 of 31st December 2003, Tongling reported an unaudited net tangible asset value of RMB117.06 million (as of 31st December 2002: RMB103.76 million). As no dividend was declared by Tongling for the financial year ended 31st December 2003, no dividend income was received by the Company during the year under review in respect of the investment in Tongling.

Property under development
Due to the delay in the issuance of "site permit" and change of floor plan, the completion date of the Group's R&D centre which was originally scheduled in October 2004 will now be postponed to September 2005. Nevertheless, all respective construction works have already commenced in December 2003. Upon the date of completion, the property will comprise 7 floors with an average area of approximately 2000 sq.m. per floor. Out of the 7 floors, 2 floors are scheduled to be self-used whilst the remaining 5 floors are proposed to be used for leasing purpose. Based on the prevailing property leasing market, the current average monthly rental fee is around RMB70.00 per sq.m. in Nanshan District Shenzhen P.R.C.. Therefore, the management of the group is optimistic about the future prospect of this property.

Segmental Information
To facilitate a meaningful presentation of the Group's business and revenues, the Group has changed its presentation for business segment reporting from "building automation" and "industrial automation" in the previous year to "automation products" and "project and technical services" for the year ended 30th June 2004. 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.

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 121% when compared to the corresponding period of 2003. 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 RMB4,599,000. This is due to the long duration to develop such business and the delay of existing projects in the period.

Employees
For the year ended 30th June 2004, the Group has recorded staff costs of RMB9,532,000 representing an 18.5% increase from RMB8,047,000 for the corresponding period in 2003. The number of staff increased from 82 (as at 30th June 2003) to 102 (as at 30th June 2004). 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 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 to provide independent review of the financial statements of the Group. The current Committee members are Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen, independent non-executive directors of the Company.

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 year.

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 Articles of Association.

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE HONG KONG STOCK EXCHANGE'S WEBSITE

All the information concerning the annual results of the Group for the year ended 30th June 2004 required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in force prior to 31st March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1st July 2004 under the transitional arrangements, will be published on the Hong Kong Stock Exchange's website in due course.

By Order of the Board
XIONG Jian Rui
Chairman

Hong Kong, 26th November 2004

** For identification only*

As at the date of this announcement, the Board comprises executive directors: Mr. XIONG Jian Rui, Mr. SHI Simon Hao, Mr. TUNG Fai and Mr. LIM Ka Thiam; non-executive directors: Mr. LIN Gong Shi; and independent non-executive directors: Mr. WEE Soon Chiang, Henny, Mr. WONG Kam Kau, Eddie and Mr. HUI Hung, Stephen.

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