



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



**First Quarterly Report 2001/2002**

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

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*This report 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**HIGHLIGHTS**

- Turnover for the three months ended 30 September 2001 amounted to approximately RMB6,545,000.
- Profit attributable to shareholders for the three months ended 30 September 2001 amounted to approximately RMB768,000.
- The Directors do not recommend the payment of a dividend for the three months ended 30 September 2001.

**FIRST 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 ended 30 September 2001, together with the comparative figures for the corresponding year in 2000 as follows:

		<b>For the three months ended 30 September</b>	
		<b>2001</b>	<b>2000</b>
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Turnover	2	<b>6,545</b>	30,238
Materials and equipment		<b>(2,351)</b>	(11,641)
		<b>4,194</b>	18,597
Other revenue		<b>318</b>	—
Staff costs		<b>(1,677)</b>	(1,728)
Depreciation of equipment and furniture		<b>(191)</b>	(289)
Provision for product warranty costs		<b>—</b>	(1,390)
Other operating expenses		<b>(1,780)</b>	(4,253)
Profit from operations		<b>864</b>	10,937
Interest income		<b>20</b>	13
Profit before taxation		<b>884</b>	10,950
Taxation	3	<b>(116)</b>	—
Profit attributable to shareholders		<b>768</b>	10,950
Earnings per share	4		
— Basic		<b><u>RMB0.24 cents</u></b>	<u>RMB3.91 cents</u>

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 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 other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the three months ended 30 September 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the three months ended 30 September 2000 have been presented on the same basis.

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

## 2. Turnover

The Group's turnover represented revenue generated 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 revenue from fixed price contracts is stated after deducting Mainland China value-added tax and city and county maintenance tax.

## 3. Taxation

Taxation consists of:

	<b>For the three months ended 30 September</b>	
	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Current taxation		
— Mainland China enterprise income tax	<b>116</b>	—

Techwayson Industrial Ltd., a wholly-owned subsidiary established and operating in a special economic zone of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from 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% reduction for the next three years. The tax exemption period expired on 31 December 2000 and thereafter, the Company is subject to Mainland China enterprise income tax at 7.5% until 31 December 2003.

#### 4. Earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2001 was based on the consolidated profit attributable to shareholders of approximately RMB768,000 (2000: RMB10,950,000) and the weighted averaged number of approximately 316,302,000 shares (2000: 280,000,000 shares) deemed to be in issue during the period, on the basis of presentation relating to the Reorganisation as described in Note 1.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in issue during the three months ended 30 September 2000 and 2001.

#### 5. Reserves

Movements of reserves are:

	<b>Share premium</b> <i>RMB'000</i>	<b>Statutory reserve funds</b> <i>RMB'000</i>	<b>Capital reserve</b> <i>RMB'000</i>	<b>Retained profit</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099
Transfer from retained profit to reserves	—	—	—	—	—
Profit attributable to shareholders	—	—	—	768	768
As at 30 September 2001	<u>7,160</u>	<u>5,309</u>	<u>13,841</u>	<u>64,557</u>	<u>90,867</u>

#### DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 30 September 2001. (2000: Nil)

#### BUSINESS REVIEW AND OUTLOOK

##### Finance

For the three months ended 30 September 2001, the Group's turnover was approximately RMB6,545,000, as compared with approximately RMB30,238,000 for the same period last year. The Group's turnover declined due to the signed contracts in the first quarter to be performed and completed in the second quarter.

The Group posted a profit attributable to shareholders of approximately RMB768,000 for the three months ended 30 September 2001 as compared with approximately RMB10,950,000 for the same period last year. The reduction in profit was mainly attributed to the setback in the first quarter turnover.

Earnings per share for the three months ended 30 September 2001 declined to RMB0.24 cents, from RMB3.91 cents for the corresponding period in 2000.

The Directors are optimistic to the future prospects of the Group as the PRC market potential on automation and control system is huge. The Group was negotiated in the final stage for several contracts in the PRC with an aggregate value of approximately RMB40 million.

## Business operation

During the reporting period, the Group achieved a first-ever breakthrough in the building automation market and undertook the automation projects of two buildings in Shanghai. Installation to meet these projects is scheduled to be completed in the second quarter.

In June 2001, the Group started to apply the ISO9001-2000 quality management system for internal control, which has given an enormous boost in enhancing its staff quality and its overall management standard. As a result of the great efforts, the Group finally obtained the ISO9001-2000 quality certificate on 11 August 2001.

In September 2001, the Group has entered into an agreement to acquire a 18.52% interest in Tongling Huarui Electronic Materials Co. Limited at a total consideration of HK\$49million. Upon completion of the transaction, the Directors expect that there will be a positive contribution to the future earnings of the Group from the financial year 2002.

## Outlook

The Group is in negotiation with massive international players and multinational companies, such as GE and Rockwell, to form strategic or joint venture partnership, with a view to introduce advanced international technologies to the construction of metro railway and light railway systems with domestic supplies, particularly the AATC (Advane Automation Train Control), Positive Train Control, Precision Train Separation and Integrate Train Control System.

Also, the Group is now in negotiation with relevant enterprises under the Ministry of Railway concerning the cooperation over the development, promotion and operation of automated ticket vending systems and locomotive traction systems for mainland railways, with Guangzhou, Shenzhen, Shanghai, and Beijing as the test points. The project is expected to bring a stable income to the Company.

The Group will continue to develop its business in building automation. It will not only continue to explore the market of intelligent buildings in Mainland China, but also develop intelligent residential products tailor made for detached houses, as well as step up its efforts in exploring overseas markets, particularly the North American market.

## 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 30 September 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 5.40 to 5.59 of the GEM Listing Rules, the interests of Directors in the securities of the Company and its associates were as follows:

<b>Name of director</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Corporate Interests</b>	<b>Other Interests</b>	<b>Total</b>
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, directors of the Company.

Saved as disclosed above, as at 30 September 2001, none of the Directors or their associates had any interests in the issued share capital of the Company or any of its associates (within the meaning of the SDI Ordinance).

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Except for the employee Share Option Scheme of the Company, 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 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.

## EMPLOYEE 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 30 September 2001, no option was granted by the Company under the Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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) were directly or indirectly interested in 10% or more of the Company's issued share capital:

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate Shareholding</b>
Otto Link Technology Limited <sup>1</sup>	168,000,000	48.00%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited <sup>2</sup>	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%

*Note:*

- 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 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.

## SPONSOR'S INTEREST

Pursuant to an agreement dated 16 July 2001, entered into between the Company and Celestial Capital Limited ("CASH"), has been appointed as the Company's sponsor for the period from 16 July 2001 to 30 June 2003 in return for a monthly advisory fee.

None of the Company's sponsor, CASH, 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 30 September 2001.

## **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 duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Kuang Ding Bo, Mr. Wee Soon Chiang and Mr. Wong Kam Kau. The Group's unaudited results for the three months ended 30 September 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 GEM Listing Rules and legal requirements and that adequate disclosures had been made.

## **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 period.

By Order of the Board  
**SZE Kwan**  
*Chairman*

Hong Kong, 13th November, 2001