Techwayson Holdings Limited

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

ANNUAL RESULTS
FOR THE YEAR ENDED 30 JUNE 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET(“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 371% for the year ended 30 June 2001 compared with the corresponding year in 2000.
- Profit attributable to shareholders increased by approximately 539% for the year ended 30 June 2001 compared with the corresponding year in 2000.
- Earnings per share for the year ended 30 June 2001 rose to RMB19.63 cents from RMB3.38 cents for the corresponding year in 2000.

ANNUAL RESULTS (AUDITED)

The Board of Directors (the "Directors") of Techwayson Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2001, together with the comparative figures for the corresponding year in 2000 as follows:

		For the year ended 30 June	
		2001	2000
	Note	***RMB'000***	*RMB'000*
Turnover	2	**130,961**	27,778
Materials and equipment		**(45,948)**	(11,697)
		85,013	16,081
Other revenue		**3,286**	—
Staff costs		**(7,224)**	(2,299)
Depreciation of equipment and furniture		**(1,104)**	(742)
Provision for product warranty costs		**(5,504)**	(1,174)
Other operating expenses		**(12,912)**	(2,430)
Profit from operations		**61,555**	9,436
Interest income		**429**	26
Profit before taxation		**61,984**	9,462
Taxation	*3*	**(1,547)**	—
Profit attributable to shareholders		**60,437**	9,462
Earnings per share	*4*		
— Basic		**RMB19.63 cents**	RMB3.38 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 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 statement have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 30 June 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 30 June 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:

	2001	2000
	RMB'000	*RMB'000*
Current taxation		
— Mainland China enterprise income tax	**1,547**	—

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 year ended 30 June 2001 was based on the consolidated profit attributable to shareholders of approximately RMB60,437,000 (2000: RMB9,462,000) and the weighted averaged number of approximately 307,808,000 shares (2000: 280,000,000 shares) deemed to be in issue during the year, 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 years ended 30 June 2000 and 2001.

5. Reserves

Movements of reserves are:

	Share premium	Statutory reserve funds	Capital reserve	(Accumulated deficit) Retained profit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 July 1999	—	—	—	(801)	(801)
Transfer from retained profit to reserves	—	1,303	—	(1,303)	—
Profit attributable to shareholders	—	—	—	9,462	9,462
As at 30 June 2000	—	1,303	—	7,358	8,661
Premium on issue of shares	50,456	—	—	—	50,456
Share issuance expenses	(13,617)	—	—	—	(13,617)
Capitalisation of share premium	(29,679)	—	—	—	(29,679)
Capitalisation of shareholders' loans by a subsidiary	—	—	13,842	—	13,842
Effect of Reorganisation	—	—	(1)	—	(1)
Profit attributable to shareholders	—	—	—	60,437	60,437
Tranfer from retained profit to reserves	—	4,006	—	(4,006)	—
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2001. [2000: Nil]

BUSINESS REVIEW AND OUTLOOK

Finance

For the year ended 30 June 2001, the Group recorded a turnover of approximately RMB130,961,000, representing a 371% increase as compared to the previous financial year of 2000. The substantial increase in sales was due to good feedback on the quality and functions of the products from its customers. The improved product image and recognition of good product quality resulted in a substantial increase in the size of orders from its customers.

For the year ended 30 June 2001, the profit margin derived from fixed price contracts (after deduction of related materials and equipment costs) was approximately RMB85,013,000, representing an increase of approximately 429% over the year ended 30 June 2000.

For each of the year ended 30 June 2000 and 2001, the profit margin derived from fixed price contracts (after deduction of related materials and equipment costs) was approximately 58% and 65% respectively. The continuous increase in this profit margin was resulted from the management's effort to reduce the production costs and increase the sales of high margin products.

For the year ended 30 June 2001, profit attributable to shareholders increased by approximately RMB50,975,000 to approximately RMB60,437,000, representing a 539% increase as compared with the corresponding year in 2000 . Such increase was primarily due to a substantial increase in turnover coupled with the improvement in profit margin derived from fixed price contracts (after deduction of related materials and equipment costs).

The Group's profit attributable to shareholders exceeded the forecast profit of approximately RMB56 million as stated in the Company's prospectus dated 31 January 2001. The variance was mainly due to the Group's effective control over its operating expenses during this financial year.

Earnings per share for the year ended 30 June 2001 rose to RMB19.63 cents from RMB3.38 cents for the corresponding year in 2000.

Research and Development

As the world's first genuine open control system, the Group's TCS control system, after its introduction into the market last year, has attained satisfactory results in terms of application. This year the Group's product research and development department has further improved its product series. Isolation and anti-explosion products and highly reliable hot back-up/redundancy controller modules for flammable and explosion-prone conditions have been developed. In addition, in joint collaboration with universities and research institutes, the department has developed the energy-conservation APC application software, which runs on TCS hardware to form industry-specific control systems, such as the blast furnace burning control system, the oil-refining control system and the locomotive control and monitoring system.These systems, leveraging on the advantages of TCS products, are tailor made to the specific needs of the industries concerned. As such, the above efforts have yielded excellent economic results.

Owing to the innovation efforts of its research and development team, the Group has made its presence in the uncharted market of metro railwary and light railway locomotives. The team has managed to develop the first ever ,metro locomotive control and monitory system in Mainland China with high efficiency and quality at a high speed. The system, which conforms with the highest international standards, is now in operation in Tianjin Metro Railway and is well received by commuters. Meanwhile, the light railway locomotive control and monitoring system has also passed testing. Pursuant to a contract previously entered into by the Group, the system will commence operation in Changchun Light Railway soon. The light railway locomotive frequency transducer traction system, which emerged from the joint efforts of the Group and large international companies, is also being under on-site testing.

The Group has developed an alternative control system to the DCS, the MINIDCS, which can be adapted to consecutive processes. This system is to compete for a share of in the market of production automation for consecutive processes including the oil-refining, chemical and power supply, which used to be dominated by DCS manufacturers, so as to enhance the competitiveness of the Group in niche markets. The system delivers better performance than the existing TCS product series in terms of redundancy, PID control, model control and enhanced control.

Sales and Marketing

This is the year Mainland China began its Go-west campaign. Apart from successfully reinforcing its relations with existing customers and gaining new customers in regions like Xinjiang, the Group managed to gain its foothold in markets like Yunnan, Ningxia, Sichuan and Shaanxi, as well as achieving breakthroughs in places like Kunming and Panzhihua in the western hinterland. In addition, the Group successfully established its positions in industries like metro railway, light railway and power supply. The Group also achieved breakthroughs for the TCS system in multi-media teaching aids in joint cooperation with certian tertiary institutions and it is likely that the system will finally be introduced in tertiary institutions on a nationwide basis.

The Group adopts a set of stringent criteria in its selection of distribution agents, paying particular attention to their standards of management and business support. The Group has already entered into agency and co-operation agreement with 17 institutions nationwide including design institutes, engineering companies and professional system integrators on the marketing of TCS products. The efforts on this front is already showing results.

Prospects

At present, Mainland China economy is the only bright spot amid the global economic downtrun. The financial situation of Mainland China enterprises, particurlary large- and mid-sized state-owned enterprises, are on the road of recovery and investment in infrastructure construction is growing substantially. Encouraging signs on the horizon, like the Go West Campaign, Beijing's winning the hosting right of the upcoming Olympic Games and the imminent entry into the WTO late in the year, will certainly drive the demand from mainland industrial enterprises for quality automation and control systems as they look for opportunities for business expansion. In other words, the market potential of the Group's products will experience a substantial growth in the few years to come. At present, the concept of open control systems promoted by the Group has won acceptance in a large number of users. In the near term the Group will continue to develop the industrial application of TCS systems. The Group will also strive to achieve major breakthroughs in the open connection of control systems and monitoring systems, with an aim to minimize the obstacles that users may encounter in implementing the computer-based integrated production system. It is the intention of the Group to pursue for business expansion via helping customers to enhance their operation efficiency.

The Group is now in negotiation with relevant enterprises under the Ministry of Railway concerning the co-operation over the development, promotion and operation of automated ticket vending systems and locomotive traction systems for railways in Mainland China, with Guangzhou, Shenzhen, Shanghai and Beijing as the test points. The project is expected to bring a stable income of more than $0.1billion to the Group.

COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Business Objectives as disclosed in the Prospectus dated 31 January 2001	Actual Business Progress
A. Product Research and Development	
1. 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.	1. By the end May 2001, the Group had developed the digital I/O modules and anti-explosive analog I/O modules for use in flammable gas working environments.
2. Develop APC models and methods that will be incorporated in the TCS products for broader market coverage.	2. The Group has developed the energy-conversation APC application software which runs on TCS hardware to form industry-specific control systems, such as the blast furnace burning control system and the locomotive control and monitoring system.
3. Intend to cooperate with various universities including Tsinghua Univeristy (清華大學), Zhejiang University (浙江大學), South China Polytechnic University (華南理工大學) and Huadong Polytechnic University (華東理工大學) for the development of APC.	3. The Group had cooperated with Shanghai Jiaotong University (上海交通大學), which specialises in the research on industrial optimisation software application, for the development of APC application software in oil-refining control system. Although no binding agreements has been signed with Tsinghua University (清華大學) so far, negotiations has been ongoing since May 2001.
4. Form partnership with the 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 to become showcase projects in order to attract potential customers.	4. In March 2001, the Group cooperated with Baosteel Group to implement of APC technology in automation and control system.
5. Develop hot back up/redundancy controller modules and I/O modules with hot pluggable and auto-recognition functions (可帶電撥插的冗餘熱備份) to improve the quality and reliability of existing control system products.	5. By the end of June 2001, the Group successfully developed its hot back up/redundancy controller modules and I/O modules with hot pluggable and auto-recognition functions.

B. Sales and Marketing

1. Establish representative offices in PRC cities with high concentration of industries.	1. The Group has entered into distribution agency agreements in PRC cities such as Kunming, Chongqing, Chengdu, Zhuhai, Hefei, ZiBo, BangBu, and Panzhihua.
2. Establish product image through large-scale advertising companies and various medias.	2. The Group had engaged in large-scale marketing and promotion campaigns such as the Shenzhen Advanced Technology Achievement Trading Association (深圳高新技術成果交易會) and Shenzhen Technology Achievement Exhibition (深圳市科技成果展).
3. Establish a training center with the China Automation Society (中國自動化學會), and provide training courses on TCS system for customers.	3. In May 2001, the Group has established a training center with the China Automation Society to provide training courses on TCS system to its customers.
4. Sponsor the China Automation Society (中國自動化學會) in setting up an automation website: http://www.e-automation.com.cn/.	4. An automation website will be completed on or before 28 September 2001.

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 June 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 to 5.59 of the GEM Listing Rules, the interests of Directors in the securities of the Company and its associates 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, directors of the Company.

Saved as disclosed above, as at 30 June 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 June 2001, no option was granted by the Company under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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:

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. Siu Ting	38,976,000	11.14%

Note:

1. 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.

2. 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.

3. Open Mission Assets Limited is deemed to be interested in the 61,824,000 Shares held by Goldwiz by virtue of its approximately 35.26% 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 Xue Lin, Chim Kim Lun, Ricky, Mr. Kwok Lin and Mr. Lee Tiong Hock 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.

4. 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.

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 30 June 2001.

Pursuant to an 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.

Given the removal of China Everbright from the list of GEM sponsors, the Company has terminated the engagement of China Everbright as retained sponsor of the Company effective 16 July 2001 and Celestial Capital Limited was appointed as the replacement sponsor on 16 July 2001 for the remaining period from 16 July 2001 to 30 June 2003.

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 audited results for the year ended 30 June 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 REDEMTION 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.

By Order of the Board
SZE Kwan
Chairman

Hong Kong, 20th September, 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.

** For identification purpose only*