Techwayson Holdings Limited
德維森控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

2002
ANNUAL REPORT

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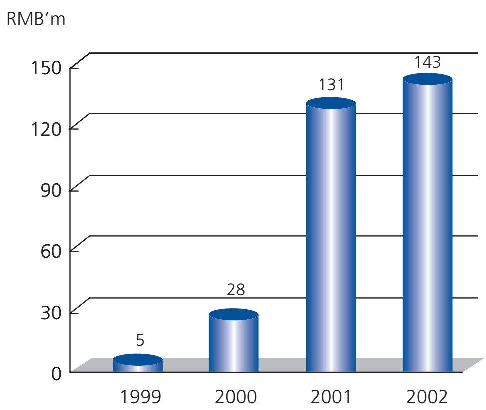
This report for which the directors of Techwayson Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose 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.

Contents

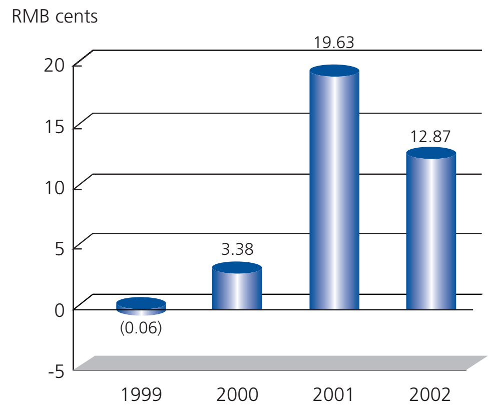
Financial Highlights

	2002	2001	2000	1999
Turnover (RMB' million)	**143**	131	28	5
Profit/(loss) attributable to shareholders (RMB' million)	**45**	60	9	(0.16)
Earnings/(loss) per share (RMB cents)	**12.87**	19.63	3.38	(0.06)

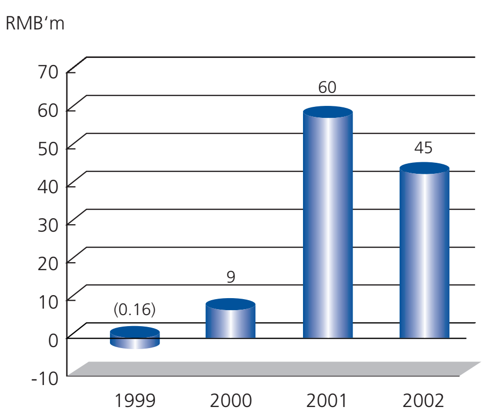
Turnover



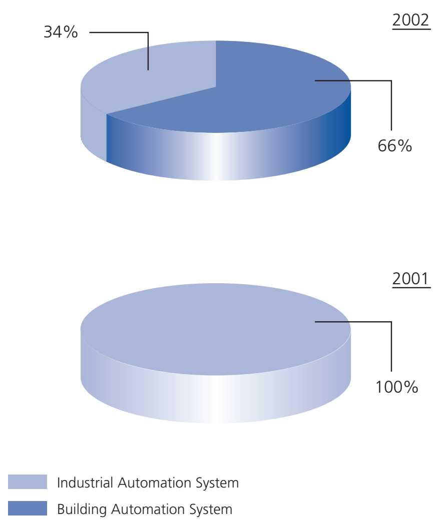
Earnings/(Loss) per share



Profit/(Loss) attributable to shareholders

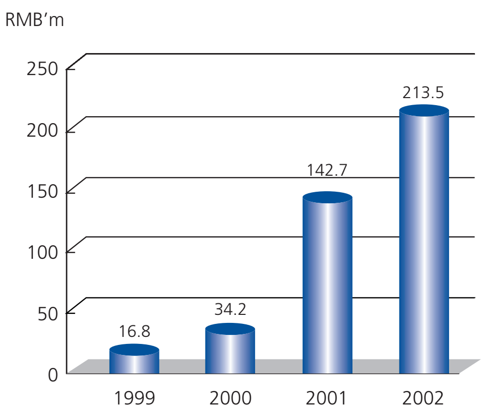


Turnover by Business Segments

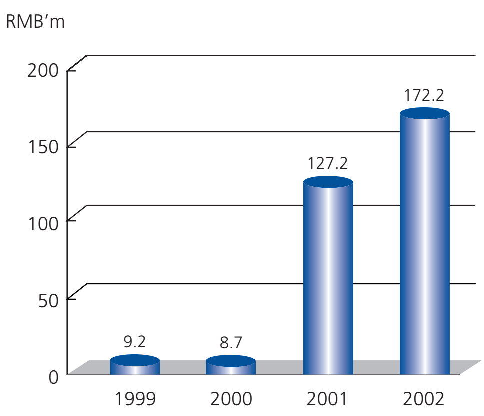


	2002	2001	2000	1999
Total assets (RMB' million)	**213.5**	142.7	34.2	16.8
Net asset value (RMB' million)	**172.2**	127.2	8.7	9.2
Net asset value per share (RMB cents)	**49.20**	41.32	3.09	3.29

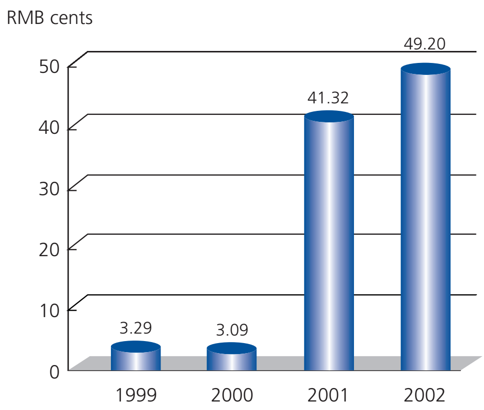
Total assets



Net asset value



Net asset value per share



DIRECTORS

Executive Directors
Dr. SZE Kwan
Mr. TUNG Fai
Mr. LEE Tiong Hock
Mr. YE Wei Fa

Non-Executive Director
Mr. LIN Gongshi

Independent Non-executive Directors
Mr. KUANG Ding Bo
Mr. WEE Soon Chiang, Henny
Mr. WONG Kam Kau, Eddie

AUTHORISED REPRESENTATIVES

Mr. TUNG Fai
Mr. LI Chi Yuen

COMPANY SECRETARY

Mr. LI Chi Yuen, AHKSA, ACMA

QUALIFIED ACCOUNTANT

Mr. LI Chi Yuen, AHKSA, ACMA

COMPLIANCE OFFICER
Mr. TUNG Fai

AUDIT COMMITTEE

Mr. WEE Soon Chiang, Henny *(Chairman)*
Mr. WONG Kam Kau, Eddie
Mr. KUANG Ding Bo

AUDITORS

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INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations
(China) Limited
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Hong Kong

STOCK CODE

8098

For the financial year ended 30 June 2002, the Group has recorded a total turnover of approximately RMB143,269,000, representing a 9.4% increase when compared with the figure for the same period last year at approximately RMB130,961,000. During the year under review, the profit derived from fixed price contracts recorded was approximately RMB67,752,000, profit margin was 47%, profit attributable to shareholders was RMB12.87 cents per share.

During the financial year under review, the stagnation of the general world economic growth has lead to the slide in export market demand of products of secondary industries in the PRC. The Group has suffered from delays and cancellations of large-scale industrial automation projects. In addition, keen competition in China has made the automation business even harder.

In spite of the tough economic environment, the Group has moved on cautiously through effective marketing activities and recorded growth in its total turnover

In the segment of Industrial Automation, turnover has dropped to RMB49,111,000, representing a marginal decline of 63% when compared with the same period last year. Income from engineering projects has reduced. To supplement, the Group has signed contracts to distribute Rockwell Automation's products in Guangdong and supply specialized controllers for the manufacture of injectors on OEM basis.

The Group has secured Building Automation contracts in Beijing, Shanghai and Zhanjiang, making BAS one of the Group's major sources of income this year. During the period under review, turnover for the segment of Building Automation is RMB94,158,000, representing 66% of the total turnover of the Group.

The Group holds an effective 18.52% interest in Tongling Huarui Electronic Materials Company Limited ("Tongling Huarui"), a sino-foreign enterprise engaged in the manufacture and distribution of copper clad laminate products. Since Tongling Huarui did not declare any dividend in the financial year ended 31 December 2001, the Group did not receive any income in the year under review.

Following the development of information technology, open system in industrial automation has become the norm of the industry. Our clients and even our competitors have accepted the concept of open platform system launched by the Group. The Group has outlined its medium to long-term business strategy in order to ensure its continuing development. The Group will also concentrate its business expansion to improve better cash flow and market share.

In the coming year, to enlarge the Group's market share in the domestic market of PRC, we will continue to concentrate its research and marketing in traditional industries as well as seek development in emerging industries. At present, the Group identifies the keys to customer satisfaction are advanced technology, better understanding of customer's needs, better services and proper training of staff.

The Group has mapped out a series of development plan to capture a larger market share. It will however take a flexible approach in view of the economic and market conditions.

I would like to take this opportunity to thank for the hard work of the staff, support of the partners and patronage of the customers.

Sze Kwan
Chairman

Hong Kong, 16 September 2002

BUSINESS REVIEW

The stagnation of the general world economic growth has lead to the slide in export market demand of products of secondary industries in the PRC. This is particularly true for petro-chemical and steel refining industries where the Group generated most of its income in the past two years. Added to it, keen competition in China has made the automation business even harder. During the year under review, the Group has suffered from delays and cancellations of large-scale engineering projects, making it a difficult year to achieve its projected figures. As a result, the Group has to adjust its strategies to cope with the changing market. To raise effectiveness, it tightly controls production costs and at the same time develop new markets through selective advertising and sales promotion activities such as visits, seminars, roadshows and nation-wide exhibitions. Total revenue for the 12 months ended 30 June 2002 increased to RMB143,269,000, representing an increment of 9.4% when compared with the same period last year.

Property market in China particularly in major cities is still active with demand for high quality buildings, both commercial and residential. In this area, the Group's turnover in Building Automation System ("BAS") has increased significantly when compared with that of last year. The Group has secured contracts in Beijing, Shanghai and Zhanjiang, making BAS one of the Group's major sources of income. Despite the keen competition and low profit margin of BAS at about 36%, the market potential remains high. During the year under review, the total turnover for the segment of BAS is RMB94,158,000, representing 65.7% of the total turnover of the Group.

Industrial Automation System ("IAS") is the foundation of the Group. During the year under review, the Group expanded its market base into infrastructure related industries such as metro railway and electricity generation. These industries, fundamental to social development, are driven by local demand and Government policies. Steady growth in this sector is expected in the next ten years. The Group intends to bid for the second phase of the automation contract of the Shenzhen MRT in early 2003 as its bid for the first phase of the contract did not meet the tender requirement. In this respect, the Group is in discussion with Rockwell Automation, a foreign renowned automation equipment and system supplier, to work together in this coming project. The Group is currently supplying automation products for the first phase project as Rockwell's distributor in Guangdong. Details of the distributorship are described below. In June 2001, the Group secured a contract from Shenzhen West Power Company Limited for approximately RMB19 million, which has already been booked in the accounts for this year.

In the first quarter of 2002, the Group has signed a contract with Rockwell Automation to distribute its Allen Bradley products in Guangdong. Rockwell's sales volume in the area is estimated at US$4 million per annum. Although Automation Industry in China is a market with high entry barrier but its potential is encouraging. However, competitions are keen in this area, especially from multinational companies ("MNCs"). The Group will adopt a flexible marketing strategy which will enable the Group to compete with MNCs or when necessary cooperate with them. In this respect, the Group will leverage on the brand and its understanding of the market to provide better service to the customers.

In the fourth quarter of the period under review, the Group has signed a contract with a local merchandising company working on behalf of a foreign enterprise for the supply of specialized controllers for the manufacture of large-scale injectors on OEM basis. The total contract sum is approximately RMB28 million, and has already been reflected in the Group's performance this year. The result of the Group's first involvement in such OEM business is encouraging. The merchandising company has already indicated its intention for long-term cooperation with the Company. It is believed that such tailor-made OEM business will contribute steady income to the Group in the next few years.

Techwire Enterprise Limited, the Group's wholly owned subsidiary, holds an effective 18.52% interest in Tongling Huarui Electronic Materials Company Limited ("Tongling Huarui"). Since Tongling Huarui did not declare any dividend in the financial year ended 31 December 2001, the Group did not receive any income in the period under review. Tongling Huarui is a sino-foreign enterprise established in Tongling in Anhui province in the PRC. It is engaged in the manufacture and distribution of copper clad laminate products used in printed circuit board (PCB) production. PCB is the basic material for electronic products.

Due to the dim outlook of the international markets, in particular, Europe and the States, the Group has adopted a cautious approach in developing its overseas market.

FINANCE

Turnover

For the year ended 30 June 2002, the Group recorded a turnover of approximately RMB143,269,000, representing a 9.4% increase as compared to the previous financial year of 2001. The increase in sales was due to the Group's successful market base expansion strategy to Building Automation System.

Profit margin derived from fixed price contracts

For the year ended 30 June 2002, the profit margin derived from fixed price contracts (after deduction of related materials and equipment costs) was approximately RMB67,752,000, representing a decrease of approximately 20% over the year ended 30 June 2001.

For each of the year ended 30 June 2001 and 2002, the profit margin derived from fixed price contracts (after deduction of related materials and equipment costs) of the Group was approximately 64.9% and 47.3% respectively. The drop was due to firstly, a price cut in the Group's product for industrial automation under keen competition from international suppliers with new products range; secondly, thinner profit margin for the Group's Building Automation System.

Other operating expenses

For the year ended 30 June 2002, the other operating expenses of the Group amounted to approximately RMB7,405,000, representing approximately 5.2% of the turnover of the Group and a decrease of approximately RMB5,507,000 or approximately 42.7% over the same period last year.

The decrease in other operating expenses primarily resulted from the decrease in marketing expenses, to approximately RMB419,000 for the year ended 30 June 2002, representing a decrease of approximately 77.6% compared to that reported in the previous year.

Taxation

The Company was exempted from taxation in the Cayman Islands until 2020.

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in or derived from in Hong Kong for the year ended 30 June 2002.

Techwayson Industrial Limited ("TIL"), a wholly-owned subsidiary of the Company was an enterprise established and operated in Shenzhen of Mainland China and was subject to Mainland China enterprise income tax ("EIT") at a rate of 15%. Pursuant to Mainland China laws of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises and approval from Shenzhen Tax Bureau, TIL was entitled to full exemption from EIT for two years starting from the first year of profitable operations after offsetting prior year losses and a 50% reduction in the next three years.

Moreover, according to Rules for Further Support to High-technology Enterprises in Mainland China, enterprises that are qualified as high-technology enterprises were entitled to further tax holidays on EIT. TIL was regarded as a high-technology enterprise and obtained the approval from Mainland China Tax Bureau, for further exemption from EIT for two years starting from the first year of profitable operations after offsetting prior year losses and a 50% reduction in the next eight years.

Profit attributable to shareholders

For the year ended 30 June 2002, profit attributable to shareholders reduced by approximately RMB15,407,000 to approximately RMB45,030,000, representing a 25.5% decrease as compared with the corresponding year in 2001. Such decrease was primarily due to a substantial decrease in profit margin derived from fixed price contracts (after deduction of related materials and equipment costs).

Earnings per share for the year ended 30 June 2002 declined to RMB12.87 cents from RMB19.63 cents for the corresponding year in 2001.

Liquidity and capital resources

As of 30 June 2002, a majority of the Group's debt was denominated in Hong Kong Dollars, unsecured and interest bearing at LIBOR plus 0.5%. As of 30 June 2001, the Group had no any borrowing or long term debts. The Group had not been granted any banking facilities for the fiscal year of 2001/02 and 2000/01. The incomes of the Group were dominated either in Hong Kong Dollar or Renminbi and the Group had adequate recurring cash flow to meet maturing borrowings. The Group adhered to a prudent policy on financial risk management and the management of currency and interest rate exposures. Hence the Group's exposure to fluctuations in the exchange rate was considered to be minimal and there was seldom any need to make use of financial instruments for hedging purposes.

The borrowing maturity profiles of the Group as at 30 June 2002 is analysed as follows:

	At 30 June 2002 (Audited) *RMB'000*
Repayable within one year	5,578
Repayable after 1 year but within 2 years	2,385
Repayable after 2 years but within 5 years	7,155
Over 5 years	5,962
	21,080

As at 30 June 2002, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets was 9.9% (2001: NIL). The management believes that the gearing ratio is at acceptable level for the Group and the Group would be able to create sufficient financial resources to discharge its debt.

As at 30 June 2002 and 30 June 2001, the Group has had no charge on their assets nor any contingent liabilities.

Other than those disclosed in the Company's prospectus dated 31 January 2001 under the section headed "Business Objectives and Future Prospects", there has been no material change in the Group's future plan for material investments and acquisition of material capital assets as at 30 June 2002.

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 31 December 2001, Tongling reported a net asset value of approximately RMB64.51 million (as of 31 August 2001: approximately RMB61.68 million). As no dividend was declared by Tongling for its financial year ended 31 December 2001, no dividend income was received by the Company during the year under review in respect of the investment in Tongling.

Segmental information

As the property market in the PRC keeps improving, there is a rising demand in quality buildings for both commercial and residential sectors. For the year ended 30 June 2002, contribution of Building Automation System (BAS) segment to the Group's performance has become more significant. Despite the keen competition of BAS products and thinner profit margin at about 36%, the Group hopes to be benefit from the market potential and our capability to provide total solution to our clients. It is expected that the market trend will continue making BAS our major source of income this year.

For the industrial automation, market for traditional industries such as oil refining and steel refining has slowed down but profit margin remains high at about 54%. The Group is developing the automation market of emerging industries to enlarge the market base. Although turnover of this sector has declined in the year under review, the Group is currently still optimistic about the future of the sector especially in the infra-structure related area.

Employee information

For the years ended 30 June 2002, the Group has recorded staff costs of approximately RMB7,519,000 representing by 4% increase from approximately RMB7,224,000 for the corresponding period in 2001. The number of staff reduced from 100 employees (as of 30 June,

2001) to 80 employees (as of 30 June, 2002). The Group encourages slim organisation with high productivity and provides competitive remuneration packages to employees commensurable to market level in the business in which the Group operates their qualifications. Incentive schemes composed of discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides mandatory provident fund, medical benefits and external training programs for all staff.

PRODUCT DEVELOPMENT

Successful application of automation systems depends on the quality of firstly, the hardware of the system and secondly, the engineering staff. Engineers should have in-depth knowledge and understanding of the applying industry. Based on the technology level and practical situation of the user, the Group is expected to develop specialized controlling systems and software modules dedicated to the needs of the users. At present, the Group develops a specialized application which is capable of integrating its Tailored Control System (TCS) with self-adaptive fuzzy control software modules to meet certain specific industry. Currently, such special TCS controller for injectors is commercially ready for OEM manufacture. The R&D Department has further developed controllers for chillers, compressors and tube-bending machines. It is expected that they will be ready for testing in the next few months.

During the year, the Group has tested its experience of industrial automation to the building industry. It has conducted researches on systems for intelligent residential buildings and houses which will target at the North American and European market. The design of the system will include security control, entertainment and communication network. The Group will also be targeting the local market for the supply of tailor-make control systems for the residential estates and commercial office buildings by project basis.

The Shenzhen local government supports the development of technology companies. The Group has applied for a piece of land for the construction of an 8-storey building to house the R&D Centre for Automation Engineering Technology of Shenzhen (深圳市自動化工程技術研發中心). Official approval is expected to be available by the end of 2002. The Centre will be completed in 2004 and will provide the Group with better R&D environment. The site area for the Centre is approximately 8,100 sqm and total floor area is approximately 18,000sqm.

The Group has been elected to the executive council of Shenzhen Instrumentation Industry Association (深圳市儀器儀錶行業協會) and Guangdong Automation Academy (廣東省自動化學會). It has also been awarded with Shenzhen Computer Integration Quality Certificate (深圳市電腦集成資質證書), Shenzhen Security Control System Quality Certificate (深圳市安全防範系統資質証書) and Guangdong Security Technology Quality Certificate (廣東省技防資質証書) in recognition of the Group's achievement in technology.

The Group strongly believes that with the support of the R&D department, it can stay ahead in the market. In the coming year, the Group will invest in developing information and logistics systems in order to pave way for further expansion.

The way forward

Following the development of computer, communication and information technology, open system in industrial automation has become the norm of the industry. Our clients and even our competitors have accepted the concept of open platform system launched by the Group. The Group has outlined its medium to long-term business strategy in order to ensure its continuing development. The Group will also concentrate its business expansion to improve better cash flow and market share.

To further develop the application of the Group's proprietary TCS system in the manufacturing industries, a breakthrough in integration of the control system with the management system is necessary. Seamless systems integration will resolve the customers' application of resources planning. The Group believes that future development will be best guaranteed by raising users' efficiency and productivity.

In the coming year, to enlarge the Group's market share in the domestic market of the PRC, we will continue to concentrate our research and marketing in traditional industries as well as seek development in emerging industries. At present, the Group identifies the keys to customer satisfaction are advanced technology, better understanding of customer's needs, better services and proper training of engineers.

Currently, instrumentation and materials for control system and instruments are mostly imported. A few local manufacturers have started to cooperate with foreign brands for the production of materials as demand for materials exceeds supply. The Group has already started to extend its product line downstream to develop specialized control systems for application in specific industries. It has also planned to study the feasibility to develop upstream products such as instrumentations, sensors and electronic materials in order to raise its profit margin in hardware manufacturing.

The Group mapped out a series of development plan to capture a larger market share. It will however take a cautious approach in view of the international economic and local market conditions.

Business Objectives as disclosed in the Prospectus dated 31 January 2001	Actual Business Progress
Six months ending 31 December 2001	
Product Research and Development	
1. Conduct testing and inspections on new TCS systems incorporated with flammable controller modules and hot back-up/redundancy characteristics.	1. Developments of both the hot back-up/redundancy controller modules and those modules based on intrinsic safety (flammable safe) have been completed. Tests have been completed on 10 January 2002.
2. Specialization of TCS products. Automation systems that are tailor-made for specialized industries such as steel refining, iron refining, steel rolling, refining of oil, ethylene and sulphuric acid, cigarette manufacturing, paper, sewage, waterworks, distribution and supply of electricity on grids may be developed through incorporating APC tailored for each specific industry onto the TCS platform. At the same time, software blocks will be developed to include the basic functions common to various industries. They will then be incorporated into control systems with industry-specific designs. It is expected that through a combination of standardization and industry specific functions, the Group will be able to achieve product standardization, reduction in time spent on project engineering and speeding up of the application of TCS products in various industries.	2. All have been completed. The Company has enhanced its Tailored Control System (TCS) with compatibility with other software. This will shorten the installation and run-in time of the system especially in traditional industries such as petrol chemical, oil refining and steel refining.

Sales & marketing

1. Enter into a strategic partnership with Baosteel Information Industry Holdings (寶鋼信息產業集團), which specializes in industrial and building automation and other IT services, and apply TCS systems with implemented APC functions on complex manufacturing and control process involving high-technology such as steel rolling, electric furnaces. Baosteel Information Industry Holdings is a subsidiary of Baoshan Iron and Steel Company Limited (寶山鋼鐵股份有限公司), a major state owned steel refining conglomerate in the PRC whose A shares are listed on the Shanghai Stock Exchange.	1. Entered into a strategic partnership with Qinghua tongfang Corp.(清華同方), Shanghai Electrical Automation Institute (上海電氣集團), Guangzhou Auto Control Engineering Limited(奧特控制工程有限公司) to service the urban railway transit sector. The Company has signed a Memorandum of Understandings with GE Transportation, a worldwide leader in Metro Railway, for the incorporation of a joint venture to be established in the PRC. The Company is seeking for the cooperation opportunities with General Electric(美國通用電氣) regarding the MRT projects in Shenzhen, Tianjin and other cities.
2. Broaden the range of products and services with the aim to improve the productivity of customers manufacturing process.	2. Signed an agreement with Rockwell, the largest industrial automation system supplier in the U.S. to become its sole distributor in Southern China representing its PLC, driving product and electrical products.

Overseas Business Development

1. Conduct pilot projects targeted at specific industry sectors such as waster water treatment in Hong Kong and the Southeast Asian region as the first step for entering the overseas markets.	1. Started discussion with counter partners in Hong Kong and North America for the supply of the Company's automation products in BAS. SmartHome, and Rail Transit Automation. Marketing survey is being conducted to identify the best distribution channel and pricing strategy relating to this project. Negotiation with General Electric (GE) regarding the sales and application of the Company's train control system is already in progress.
2. Conduct testing of the Group's products with the aim to attain recognition certificates from various international industry standard accrediting organizations.	2. Postponed. Planned to be held in the second half of 2002.

Six months ending 30 June 2002

Research and Development

Business objectives	Actual business progress
1. Upgrade TCS product technologies through developing automation and control systems that adopt Compact PCI bus technology. A Compact PCI is a modem, very high performance bus based on the standard PCI electrical specification and it caters for real-time machine tool, industrial automation, real-time date acquisition and other applications requiring high speed computing. The development of Compact PCI will further enhance the transmission speed, openness to other products and communication capability of TCS products.	1. The Group has produced a model and conducted researches on Compact PCI and tests. Due to high price of the products, the Group does not intend to produce in bulk volume temporarily.
2. Conduct testing for the Group's automation and control systems with APC functions to achieve international standards.	2. The Group has conducted internal tests on special control systems with APC functions for injectors.

Sales & Marketing

1. Implement hire-purchase plans for customers with a large production size in order to develop true partnership with customers. The Company will be paid monthly management and operation fees for automation and control systems that are leased out to customers.	1. The plan is postponed due to worse market conditions.
2. Provide high quality after-sale services encompassing all activities including system design, delivery, installation, testing and inspection, system running and maintenance. It is hoped that the comprehensive services are beneficial for strengthening customer relationship.	2. The plan is carried out in segments of industrial and building automation.

Overseas Business Development

1. Expand the sales network and volume in the Southeast Asian market and provide localized services.	1. Currently, the Group export a special control systems through the customers merchandising agent in China. The Group intends to further expand the sales network and volume in overseas market.
2. Develop the North American market. The Company intends to use its competitive pricing strategy and localized services to enter into the North America market. Moreover, it will enter into joint ventures with well-established local companies in the North America in order to make use of their brand names for building up the Group's sales network.	2. The Group planned to develop the North American Market through local property developers, construction companies and system integrators to promote the Group's product with competitive pricing strategy in intelligent residential buildings and apartments.

DIRECTORS

Executive Directors

SZE Kwan (史珺), aged 37. Dr. Sze is the chairman and managing director of the Company. He is the founder of the Group and is responsible for overall strategy and planning for the automation and control systems of the Group. Dr. Sze has 15 years of experience in automation and control having worked as the general manage of a state-owned enterprise which specialised in industrial automation and control system integration prior to establishing the Group and is the first to develop automation and control system that is tailor-made for customers' unique requirement which he named TCS. TCS is an automation system that was promoted as priority project by Chinese Hi-tech Industrialisation Cooperation Group (中國高新技術產業化協作組織) in 1999. At the same time, Dr. Sze is an expert committee member of the Chinese Hi-tech Industrialisation Cooperation Group and has obtained patents for various technological inventions he has developed. Dr. Sze graduated with a bachelor degree in electronic engineering from the Nanjiang Institute of Technology of China (中國南京工學院) in 1985 and a master degree in photo-electronics from East China Institute of Technology 華東工學院 in 1988. He also obtained a doctorate in photoelectric technology from the Shanghai Institute of Technical Physics of the Chinese Academy of Science (中國科學院技術物理研究所) in 1991.

LEE Tiong Hock (李長福), aged 62. Mr. Lee is an executive director of the Company. He has over 27 years of experience in commercial and investment banking. From 1987 to 1997, he served as the senior manager of marketing department of an international bank in Hong Kong and , concurrently, as general manager of its two deposit-take subsidiaries. During 1989 to 1997, he was engaged in corporate finance advisory business, and since then in private financial consultancy business in Hong Kong. He is currently an executive director of Goldwiz Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Lee is an Associate of The Chartered Institute of Bankers, London and has been appointed as an authorised representative of the Company. Mr. Lee joined the Group in June 2000.

TUNG Fai (董輝), aged 40. Mr. Tung is an executive director of the Company. He is responsible for the overall strategic planning and financial management of the Company. Mr. Tung has more than 12 years of experience in investment management and is very experienced with the investment business environment in Mainland China and Hong Kong. He holds a bachelor degree in economics from the Jiangxi Finance Institute in Mainland China. Mr. Tung joined the Group in June 2000.

YE Wei Fa (葉維發), age 44. Mr. Ye is a general manager of the Company. He is responsible for daily administration and operation of the subsidiary of the Company in Shenzhen of Mainland China. Mr. Ye has more than 15 years of experience in administration and operation management. Prior to joining the Company in September 2000, he was a managerial staff in the office of Shenzhen Municipal Government.

Independent Non-executive Directors

KUANG Ding Bo (匡定波) aged 72. Mr. Kuang is an independent non-executive director of the Company. He is an expert on infra-red and remote sensing. He is currently the Dean of Information College of Shanghai Institute (上海大學信息學院) and a director of the Academic Committee of the Shanghai Institute of Technical Physics of the Chinese Academy of Science (中國科學院上海技術物理研究所學術委員會). Mr. Kuang graduated with a bachelor degree in Physics from Shanghai Jiaotong University in 1952 and was elected Academician of Chinese Academy of Science in 1991. Mr. Kuang was appointed independent non-executive director of the Company in November 2000.

WEE Soon Chiang, Henny (黃循強), aged 56. Mr. Wee is an independent non-executive director of the Company. Mr. Wee graduated from the University of Newcastle in Australia with a Bachelor of Commerce (Accounting) in 1970 and qualified as a Charted Accountant (Australia) in 1975. He is currently the proprietor of Messrs. Henny Wee & Co., a firm of Certified Public Accountants. Mr. Wee was appointed as an independent non-executive director of the Company in September 2001.

WONG Kam Kau, Eddie (王鑑球), aged 54. Mr. Wong is an independent non-executive director of the Company. Mr. Wong graduated from the Chinese University of Hong Kong. He is a fellow member of the Chartered Institute of Secretaries and Life Management Institute. He is currently a director of Jithra Limited, Hornby Asia Limited, Belmont Capitals Limited and Belmont Corporate Services Limited. Mr. Wong was appointed as an independent non-executive director of the Company in September 2001.

Non-executive Director

LIN Gongshi (林功實) aged 64. Mr. Lin is a non-executive director of the Company. He is a professor at the Economic Faculty of Tsinghua University (清華大學) in Mainland China. Mr. Lin has more than 10 years of experience in the academic research on marketing and has developed extensive network with various influential corporations, hi-tech companies, sino-foreign joint ventures and chain supermarkets. He has also published a number of theses and case studies which were all highly received both in the academia and business areas. He was appointed non-executive director of the Company in November 2000.

SENIOR MANAGEMENT

YANG Jun (楊俊), aged 35. Dr. Yang is an engineer of the research and development department of the Company. He graduated with a bachelor degree in automation from TangShan Engineering Technology Institute (中國唐山工程技術學 院) 1988 and a master degree in industrial automation from Dong Bei University (中國東北大學) in 1994. He also obtained a doctorate in the National Laboratory of Steel-Rolling and Continuous Casting Automation (軋鋼及連鐵自動化國家點實驗室) of DongBei University in 1997. Dr. Yang has received training on the testing of TDC3000 and DCS control system from the Honeywell Inc. in the United States and from General Electric, Siemens and AB on PLC and DCS control system. Prior to joining the Company in October 1999, Dr. Yang participated in various design and development projects on the control system for blast furnace in the southwest part of Mainland China and has gained more than 12 years of experience in computer, and the integration of control systems and their research and development.

LI Sheng Li (李勝利), aged 36. Ms. Li is a quality control manager of the Company. She graduated with a bachelor degree in industrial automation from Beijing Iron and Steel Technology Institute (北京鋼鐵學院). Ms. Li has more than 10 years of experience in automation and control system and the quality control of related products. Prior to joining the Company in March 2000, she was the administration director of Beijing Shougang Co., Ltd. (北京首鋼公司重型機械公司) and Shenzhen Guangei Medical Equipment Co., Ltd. (深圳廣慈醫療設備有限公司), a sales manager of SDG Optical Fiber Co., Ltd (深圳市特發光纜有限公司) and business development manager of Shenzhen Optilink Technology Co., Ltd. (深圳市英海威光電子通信有限公司), where she was responsible for management, sales and product quality control from 1989 to 2000.

XIE Lan Ping (謝蘭平), aged 38. Mr. Xie is a finance manager of the Company. He graduated with a bachelor degree in industrial finance from An Hui Finance & trade Institute (安徽財貿學院). Mr. Xie has more than 10 years of experience in financial management and auditing. Prior to joining the Company in March 2000, he worked in Tongling Audit Bureau & Public Accountants (銅陵市審計局及審計劃務所) and was the finance manager of Shenzhen Cofry Cereals Oils and Foodstuffs Co., Ltd. (深圳市高富瑞進出口(集團)有限公司) from 1987 to 1999.

ZHANG Xiao Dong (張曉東), aged 31. Mr. Zhang is an engineer of the research and development department of the Company. He graduated with a bachelor degree in Electronic Engineering from DaQing Petroleum Institute (大慶石油學院) and a master degree in industrial electric automation from Jilin University of Industry (吉林工業大學). Mr. Zhang has extensive experience in research and development of automation and control system. Prior to joining the Company in September 2000, Mr. Zhang has participated in a number of research projects including the CIMS project for the gold ore of Paishan Lou of Liaoning Province (遼寧省排山樓), a project selected by Mainland China Government as a priority project and has published a number of theses in international technical magazines.

LI Chi Yuen (李志遠), aged 35. Mr. Li is the financial controller and company secretary of the Company. He has more than 10 years of experience in finance, auditing, taxation and accounting. Prior to joining the Company in October 2000, Mr. Li had been the finance manager of many international companies in Hong Kong. Mr. Li is also an associate member of Hong Kong Society of Accountants and Chartered Institute of Management Accountants.

The Directors are pleased to present their second annual report together with the audited financial statements of Techwayson Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2002.

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. Pursuant to a reorganisation scheme of the Group in preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 16 January 2001. The Company's shares were listed on the GEM on 8 February 2001.

Details of the group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, supply and integration of automation and control systems.

An analysis of the Group's turnover by product category for the year ended 30 June 2002 is set out in Note 3 to the financial statements.

No analysis of profit before taxation by product category is presented as it is generally in line with the distribution of turnover. No analysis of the Group's turnover and profit before taxation by geographical location is presented because substantially all the Group's turnover and profit before taxation for the year ended 30 June 2002 were derived from activities carried out in Mainland China.

CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2002, the five largest customers accounted for approximately 99% (2001: 99%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 93% (2001: 96%) of the Group's total purchases. The largest customer of the Group accounted for approximately 65% (2001: 34%) of the Group's total turnover while the largest supplier accounted for approximately 36% (2001: 47%) of the Group's total purchases.

As far as the Directors are aware, none of the directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 30 June 2002 are set out in the consolidated income statement on page 32 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the retained profit of approximately RMB108,819,000 as at 30 June 2002 (2001: RMB63,789,000) be carried forward.

RESERVES AND RETAINED PROFIT

Movements in reserves of the Group and the Company during the year are set out in Note 24 to the accompanying financial statements. Movements in retained profit of the Group during the year are set out in the consolidated income statement on page 32 of this annual report.

As at 30 June 2002, the Company's reserves of approximately RMB72,508,000 (2001: RMB73,764,000) were available for distribution to the Company's shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and the laws in the Cayman Islands.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 11 to the accompanying financial statements.

PROPERTY UNDER DEVELOPMENT

Details of movements in property under development during the year are set out in Note 12 to the accompanying financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 15 to the accompanying financial statements.

COMMITMENTS

Particulars of commitments as at 30 June 2002 are set out in Note 26 to the accompanying financial statements.

PENSION SCHEMES

Details of pension schemes are set out in Note 27 to the accompanying financial statements.

CHARITABLE DONATIONS

No donations have been made by the Group during the year (2001: RMB318,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report are:

Executive Directors

Dr. Sze Kwan	
Mr. Tung Fai	
Mr. Lee Tiong Hock	
Mr. Ye Wei Fa	
Mr. Xiong Jian Rui	(Resigned on 4 June 2002)

Non-Executive Director

Mr. Lin Gongshi

Independent Non-Executive Directors

Mr. Kuang Ding Bo	
Mr. Wee Soon Chiang, Henny	(Appointed on 7 September 2001)
Mr. Wong Kam Kau, Eddie	(Appointed on 7 September 2001)
Mr. Chao Fu Kun	(Resigned on 7 September 2001)

In accordance with the Articles of Association of the Company, Mr. Lee Tiong Hock and Mr. Ye Wei Fa will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of Dr. Sze Kwan, Mr. Tung Fai and Mr. Lee Tiong Hock, being executive director of the Company, has entered into a service contract with the Company for an initial term of two years commencing from 1 January 2001. The service contracts shall continue thereafter until terminated by either party giving the other not less than three months' notice after the expiration of the said initial fixed term.

None of the directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

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 Rules 5.40 to 5.59 of the GEM Listing Rules, the interest 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 is beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai, directors of the Company.

Save as disclosed above, as at 30 June 2002, 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).

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 held	Approximate shareholdings
Otto Link Technology Limited (a)	168,000,000	48.00%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited (b)	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%

Notes –

a. 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 of the Company.

b. 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 61,824,000 shares held by Goldwiz.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30 June 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Except for the employee share option scheme, neither the Company nor any of its subsidiaries was a party to any arrangement 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 employee share option scheme, the principal terms of which are set out in the Company's prospectus dated 31 January 2001.

As at 30 June 2002, no option was granted by the Company under the employee share option scheme.

COMPETING INTEREST

None of the directors or management shareholders (as defined in the GEM Listing Rules) of the Company have any interest in any business which competes with or may compete with the business of the Group.

SPONSOR'S INTEREST

Pursuant to an agreement dated 16 July 2001 entered into between the Company and Celestial Capital Limited ("CASH"), 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 June 2002.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Rules of 5.28 to 5.39 of the GEM Listing Rules except that non-executive director and independent non-executive directors are not appointed for a specific term. However, the non-executive director of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-Laws. In the opinion of the Directors, this meets the same objective as the GEM Listing Rules.

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, Henny and Mr. Wong Kam Kau, Eddie. The Group's audited results for the year ended 30 June 2002 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.

USE OF PROCEEDS

The net proceeds from the issue of new shares for the listing on GEM of The Stock Exchange of Hong Kong Limited, after deduction of share issuance expenses, amounted to approximately HK$41,754,000 (equivalent to approximately RMB44,259,000) and have been applied as follows:

	Original plan*		**Amount utilised up to 30 June 2002**	
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*
Research and development of new control system technologies	18,754	19,879	18,997	20,136
Corporation and investment projects with large-scale customers and government departments in Mainland China	7,000	7,420	15,280	16,197
Marketing and promotional activities	7,000	7,420	2,377	2,520
Geographical expansion of the Group	6,000	6,360	1,200	1,272
Establishment of a training centre for the Group's customers	2,000	2,120	400	424
Development of e-automation.com.cn website	1,000	1,060	–	–
	41,754	44,259	38,254	40,549

* Amounts are extracted from the Company's prospectus dated 31 January 2001 issued in relation to the Company's Placing exercise and proposed listing of shares on the GEM of the Stock Exchange after adjustments on share issuance expenses.

AUDITORS

Messrs. Arthur Andersen & Co. have ceased to be one of the Company's two joint auditors with effect from 23 January 2002 and Messrs. Charles Chan, Ip & Fung CPA Ltd. remains as the Company's sole auditors with effect from the same date.

The accompanying financial statements were audited by Messrs. Charles Chan, Ip & Fung CPA Ltd. A resolution for the re-appointment of Messrs. Charles Chan, Ip & Fung CPA Ltd. as the auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
SZE KWAN
Chairman

Hong Kong, 16 September 2002

Charles Chan, Ip & Fung CPA Ltd.
37th Floor, Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF TECHWAYSON HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the financial statements on pages 32 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statement of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2002, and of the profit and cash flows of the Group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Charles Chan, Ip & Fung CPA Ltd.
Certified Public Accountants

Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong
16 September 2002

Consolidated Income Statement

For the year ended 30 June 2002

	Note	2002 RMB'000	2001 RMB'000
Turnover	3	**143,269**	130,961
Materials and equipment		**(75,517)**	(45,948)
		67,752	85,013
Other revenue	3	**7,542**	3,715
Staff costs		**(7,519)**	(7,224)
Depreciation and amortisation		**(5,896)**	(1,104)
Impairment loss on software development costs		**(6,000)**	–
Provision for product warrants costs		**(84)**	(5,504)
Other operating expenses		**(7,405)**	(12,912)
Profit from operations		**48,390**	61,984
Finance cost	5	**(511)**	–
Profit before taxation	6	**47,879**	61,984
Taxation	8	**(2,849)**	(1,547)
Profit attributable to shareholders	9	**45,030**	60,437
Retained profits brought forward		**63,789**	7,358
Transfer to reserves	24	**–**	(4,006)
Retained profits carried forward		**108,819**	63,789
Earnings per share - basic	10	**RMB12.87 cents**	RMB19.63 cents

No separate statement of recognised gains and losses is presented because there was no recognised gains or losses other than the profit attributable to shareholders.

As at 30 JUNE 2002

	Note	The Group 2002 RMB'000	The Group 2001 RMB'000	The Company 2002 RMB'000	The Company 2001 RMB'000
NON-CURRENT ASSETS					
Fixed assets	11	**2,990**	3,543	**–**	–
Property under development	12	**11,886**	–	**–**	–
Software development costs	13	**23,691**	27,710	**–**	–
Investments in securities	14	**51,940**	–	**–**	–
Investment in subsidiaries	15	**–**	–	**132,348**	95,350
Total non-current assets		**90,507**	31,253	**132,348**	95,350
CURRENT ASSETS					
Inventories	16	**1,594**	512	**–**	–
Prepayments, deposits and other current assets		**1,328**	951	**–**	–
Other receivable	17	**–**	17,490	**–**	–
Trade receivables	18	**49,552**	35,918	**–**	–
Cash and bank deposits		**70,547**	56,568	**30**	16,097
Total current assets		**123,021**	111,439	**30**	16,097
CURRENT LIABILITIES					
Trade payables	19	**(7,341)**	(887)	**–**	–
Accruals and other payables		**(9,282)**	(6,113)	**(3,690)**	(583)
Warranty provision	20	**(84)**	(6,946)	**–**	–
Receipts in advance		**(775)**	–	**–**	–
Loans payable - current portion	21	**(5,578)**	–	**(3,578)**	–
Taxation payable		**(2,737)**	(1,547)	**–**	–
Total current liabilities		**(25,797)**	(15,493)	**(7,268)**	(583)
NET CURRENT ASSETS/ (LIABILITIES)		**97,224**	95,946	**(7,238)**	15,514
TOTAL ASSETS LESS CURRENT LIABILITIES		**187,731**	127,199	**125,110**	110,864
NON-CURRENT LIABILITIES					
Loans payable	21	**(15,502)**	–	**(15,502)**	–
NET ASSETS		**172,229**	127,199	**109,608**	110,864
Representing:					
SHARE CAPITAL	22	**37,100**	37,100	**37,100**	37,100
RESERVES	24	**135,129**	90,099	**72,508**	73,764
SHAREHOLDERS' EQUITY		**172,229**	127,199	**109,608**	110,864

Approved by the Board of Directors on 16 September 2002

DR. SZE KWAN
Director

MR. TUNG FAI
Director

Consolidated Cash Flow Statement

For the year ended 30 June 2002

	Note	2002 RMB'000	2001 RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25.a	**48,356**	50,701
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		**122**	429
TAXATION			
Mainland China enterprise income tax paid		**(1,659)**	–
INVESTING ACTIVITIES			
Additions of fixed assets		**(952)**	(2,204)
Proceeds from disposal of fixed assets		**295**	1,267
Increase in property under development		**(11,886)**	–
Increase in software development costs		**(6,927)**	(27,710)
Decrease/(increase) in other receivable		**17,490**	(17,490)
Investments in securities		**–**	(9,842)
Proceeds from disposal of investments in securities		**–**	8,318
		(1,980)	(47,661)
NET CASH INFLOW BEFORE FINANCING		**44,839**	3,469
FINANCING ACTIVITIES	25.c		
Proceeds from issue of shares		**–**	57,876
Shares issuance expenses		**–**	(13,617)
New loan payable		**2,000**	–
Repayment of loan		**(32,860)**	(3,000)
Repayment to directors		**–**	(6,934)
Loans from shareholders		**–**	3,097
		(30,860)	37,422
INCREASE IN CASH AND BANK DEPOSITS		**13,979**	40,891
CASH AND BANK DEPOSITS, BEGINNING OF YEAR		**56,568**	15,677
CASH AND BANK DEPOSITS, END OF YEAR		**70,547**	56,568

1. GROUP REORGANISATION, BASIS OF PRESENTATION AND PRINCIPAL ACTIVITIES

Techwayson Holdings Limited (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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 year ended 30 June 2001, rather than from the date on which the Reorganisation was completed.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, supply and integration of automation and control systems.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The financial statements have been prepared under the historical cost convention.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) GOODWILL

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of acquisitions of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill in respect of subsidiaries is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill arising on acquisition of subsidiaries represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(d) SUBSIDIARIES

A subsidiary is a company in which the Company directly or indirectly, controls more than 50% of its voting power or issued share capital or controls the composition of its board.

Investments in subsidiaries in the Company's balance sheet are stated at cost less provision for impairment loss, if necessary. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(e) TURNOVER AND REVENUE RECOGNITION

Turnover comprises revenue generated from fixed price contracts.

The Group enters into contracts with customers whereby the sales of system control equipment and software products and the provision of related system integration services are bundled together in one contract. The contract price is allocated between the sales of system control equipment and software products and the provision of related system integration services and revenue is recognised in accordance with the accounting policies described in (i) and (ii) below. Advance payments received from customers are recorded as receipts in advance.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Sales of system control equipment and software products

Revenue from sales of system control equipment and software products is recognised when the installation work is completed and the customer has accepted the goods together with the risks and rewards of ownership.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(e) TURNOVER AND REVENUE RECOGNITION *(Cont'd)*

(ii) Provision of system integration services

Revenue from the provision of system integration services is recognised by reference to the stage of completion of the system integration work at the balance sheet date. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. In instances where the stage of completion is not identifiable, revenue from the provision of system integration services is recognised on a straight-line basis over the period in which the system integration work is performed.

The Group prepares project timetables for all contracts signed with its customers. Revenue from provision of system integration services is recognised over the period of service set out in the project timetable. Project timetables are reviewed regularly. The effect of changes in the project timetable on the amount of revenue recognised is accounted for in the period in which the change is made.

(iii) Interest income

Interest income is recognised on a time-proportion basis on the principal outstanding and at the rate applicable.

(f) SEGMENT REPORTING

In accordance with the Group internal financial reporting, the Group has determined that business segments be presented as the reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of software development costs, inventories and receivables and mainly exclude investment securities. Segment liabilities comprise operating liabilities and exclude items such as corporate borrowings.

(g) ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred.

(h) STAFF RETIREMENT BENEFITS

Costs of staff retirement benefits are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(i) SOFTWARE DEVELOPMENT COSTS

Research expenditures are written off as incurred. Software development costs are also written off as incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is intention to produce and market, or use, the product or process; (iv) the ability to produce or use the product or process can be demonstrated; (v) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (vi) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Deferred software development costs are amortised on a straight-line basis over a period of not more than three years in which the related products or processes are expected to be sold or used, starting from the commencement of sales or the utilisation of the product or process.

(j) PRODUCT WARRANTY

The Group provides for estimated warranty costs in the period in which the related sales are recognised. Such provision is based upon historical experience and management's estimate of the level of future claims. Claims exceeding amounts previously provided are recognised as an expense in the period in which the claims become known.

(k) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Fixed assets are depreciated at rates sufficient to write off their cost less residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20% or over the lease term, if shorter
Equipment	18% to 20%
Furniture	18%
Motor vehicles	18%

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(k) FIXED ASSETS AND DEPRECIATION *(Cont'd)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the company.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(l) PROPERTY UNDER DEVELOPMENT

Property in the course of construction are carried at cost, less any identified impairment loss. Cost includes development and construction expenditure incurred and borrowing costs and other costs directly attributable to the development.

(m) IMPAIRMENT

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(n) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method and includes costs of materials and, in the case of work-in-progress and finished goods, also direct labour. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(o) INVESTMENT IN SECURITIES

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

(p) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(q) PROVISION AND CONTINGENCIES

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(r) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(s) FOREIGN CURRENCY TRANSLATION

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). Transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of individual companies.

The Group prepares consolidated financial statements in Renminbi. On consolidation, the assets and liabilities of group companies with functional currencies other than Renminbi are translated into Renminbi at the rate of exchange in effect at the balance date, while income and expense items are translated at the applicable average rates of exchange prevailing during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustment. There were no material cumulative translation adjustments during the years ended 30 June 2001 and 2002.

(t) RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2002 *RMB'000*	2001 *RMB'000*
Income from fixed price contracts*		
– Sales of system control equipment and software products	**115,249**	111,023
– Fees for system integration services	**28,020**	19,938
Total turnover	**143,269**	130,961
Reversal of warranty provision	**6,909**	–
Compensation received for termination of a project	**–**	3,286
Sundry income	**511**	–
Interest income	**122**	429
	7,542	3,715
Total revenue	**150,811**	134,676

* The Group's revenue from fixed price contracts excludes Mainland China value-added tax.

Approximately 99% (2001: 99%) of the Group's turnover was made to top five customers for the year ended 30 June 2002.

4. BUSINESS SEGMENTS

For management purpose, the Group's turnover is divided into two business segments: sales of system control equipment and software products and provision of system integration services and was further detailed into two parts: Industrial automation services and Building automation services, which have been regarded as the Group reporting format during the year.

Industrial automation is divided into factory automation and control and process automation and control.

Factory automation and control refers to operations which manufacture individual items used mainly within the automotive, packaging and consumer goods industries. Products mainly consist of items such as programmable logic controllers (PLCs), robots, drives and standardised solutions.

Process automation and control refers to the continuous control solutions applied in processes where the main objective is to control the continuous production of products including raw oil, electricity and paper at preferred levels. Its products consist of process automation systems, distributed control systems (DCSs), control instrumentation and analytical products such as meters.

Building automation services comprise product lines and application solutions particularly targeted at building industries. Product lines for this market include security and alarm, ventilating, heating, fire protection, gas warning, air conditioning and access control systems.

All the Group's turnover is arisen from Mainland China and therefore, no secondary reporting format is prepared.

4. BUSINESS SEGMENTS *(Cont'd)*

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

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
Year ended 30 June 2002			
Revenue			
Sales of system control equipment and software products	66,530	54,571	121,101
System integration	27,628	1,449	29,077
	94,158	56,020	150,178
Segment results			
Sales of system control equipment and software products	6,412	28,565	34,977
System integration	27,265	1,426	28,691
	33,677	29,991	63,668
Sundry income			633
Unallocated expenses			(15,911)
Profit from operations			48,390
Finance cost			(511)
Profit before taxation			47,879
Taxation			(2,849)
Profit after taxation			45,030

4. BUSINESS SEGMENTS *(Cont'd)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
Year ended 30 June 2002 *(Cont'd)*			
Balance sheet			
Assets			
Segment assets			
Sales of system control equipment and software products	301	58,565	58,866
System integration	15,635	336	15,971
	15,936	58,901	74,837
Unallocated assets			138,691
Consolidated total assets			213,528
Liabilities			
Segment liabilities			
Sales of system control equipment and software products	64	8,892	8,956
System integration	1,151	461	1,612
	1,215	9,353	10,568
Unallocated liabilities			30,731
Consolidated total liabilities			41,299
Other information			
Software development costs incurred			
Sales of system control equipment and software products	–	6,927	6,927
System integration	–	–	–
	–	6,927	6,927
Amortisation of software development costs			
Sales of system control equipment and software products	–	4,946	4,946
System integration	–	–	–
	–	4,946	4,946
Impairment loss on software development costs			
Sales of system control equipment and software products	–	6,000	6,000
System integration	–	–	–
	–	6,000	6,000

4. BUSINESS SEGMENTS *(Cont'd)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
Year ended 30 June 2001			
Revenue			
Sales of system control equipment and software products	–	114,309	114,309
System integration	–	19,938	19,938
	–	134,247	134,247
Segment results			
Sales of system control equipment and software products	–	70,621	70,621
System integration	–	17,678	17,678
	–	88,299	88,299
Sundry income			429
Unallocated expenses			(26,744)
Profit from operations			61,984
Finance cost			–
Profit before taxation			61,984
Taxation			(1,547)
Profit after taxation			60,437
Balance sheet			
Assets			
Segment assets			
Sales of system control equipment and software products	–	56,497	56,497
System integration	–	25,133	25,133
	–	81,630	81,630
Unallocated assets			61,062
Consolidated total assets			142,692

4. BUSINESS SEGMENTS *(Cont'd)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
Year ended 30 June 2001 *(Cont'd)*			
Liabilities			
Segment liabilities			
Sales of system control equipment and software products	–	8,787	8,787
System integration	–	2,431	2,431
	–	11,218	11,218
Unallocated liabilities			4,275
Consolidated total liabilities			15,493
Other information			
Software development costs incurred			
Sales of system control equipment and software products	–	27,710	27,710
System integration	–	–	–
	–	27,710	27,710
Amortisation of software development costs			
Sales of system control equipment and software products	–	–	–
System integration	–	–	–
	–	–	–
Impairment loss on software development costs			
Sales of system control equipment and software products	–	–	–
System integration	–	–	–
	–	–	–

5. FINANCE COST

	2002 RMB'000	2001 RMB'000
Interest on other borrowing wholly repayable after 5 years	**511**	–

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2002 RMB'000	2001 RMB'000
Staff costs (including directors' emoluments) (a)	**7,519**	7,224
Less: Amount included in research and development expenditures	**(1,286)**	(1,449)
	6,233	5,775
Operating lease rentals of premises	**2,024**	3,074
Research and development expenditures	**1,549**	2,785
Advertising and promotion costs	**419**	1,870
Loss recognised for impairment in value of fixed assets	**222**	–
Depreciation of fixed assets	**950**	1,104
Amortisation of software development costs	**4,946**	–
	5,896	1,104
Loss on disposal of fixed assets	**38**	868
Loss on disposal of investments in securities (b)	**–**	1,524
Auditors' remuneration	**408**	583

Notes:

(a) Staff costs include provision for staff welfare and bonus fund of approximately RMB468,000 (2001 - RMB578,000) provided by Techwayson Industrial Limited, a wholly-owned subsidiary established in Mainland China. As stipulated by regulations in Mainland China, the provision for staff welfare and bonus fund is determined at the discretion of the board of directors of Techwayson Industrial Limited. The fund can be utilised for the provision of special bonus and for the collective welfare of the employees of the Company.

(b) During the year ended 30 June 2001, the Group disposed of investments in securities with a carrying value of RMB9,842,000, resulting in a loss of RMB1,524,000.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors' emoluments are:

	2002	2001
	RMB'000	*RMB'000*
Fees for executive directors	**–**	–
Fees for non-executive directors	**257**	–
Other emoluments for executive directors		
– Basic salaries and allowances	**1,270**	579
– Contributions to pension scheme	**31**	10
	1,558	589

No directors has waived any emoluments during the year (2001: Nil). No incentive payment for joining the group or compensation for loss of office was paid or payable to any director during the year (2001: Nil).

The emoluments of all directors for the year ended 30 June 2002 (2001: All) fall within the band of nil to RMB1,060,000 (equivalent of HK$1,000,000).

During the year ended 30 June 2002, four executive directors received individual emoluments of approximately RMB551,000 (2001: RMB212,000), RMB398,000 (2001: RMB159,000), RMB258,000 (2001: Nil) and RMB94,000 (2001: RMB218,000) respectively.

Included in the fees for non-executive directors were fees paid to three independent non-executive directors during the year. They received individual fees of approximately RMB85,000 (2001: Nil), RMB86,000 (2001: Nil) and RMB86,000 (2001: Nil) respectively. No past executive or non-executive directors received any emoluments (2001: Nil).

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Cont'd)*

(b) Details of emoluments paid to the five highest paid individuals (including directors and other employees) are:

	2002	2001
	RMB'000	*RMB'000*
Basic salaries and allowances	**1,854**	1,154
Contributions to pension scheme	**55**	29
	1,909	1,183
Number of directors	**2**	2
Number of employees	**3**	3
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office (2001: Nil).

The emoluments of all of the five highest paid individuals (including directors and other employees) for the year ended 30 June 2002 (2001: All) fall within the band of nil to RMB1,060,000 (equivalent of HK$1,000,000).

8. TAXATION

Taxation consisted of:

	2002	2001
	RMB'000	*RMB'000*
Current taxation		
– Mainland China enterprise income tax	**2,849**	1,547

(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.

8. TAXATION *(Cont'd)*

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group had no assessable profit for the year (2001: Nil).

(c) Mainland China enterprise income tax

Taxation arising in Mainland China is calculated at the rates prevailing in Mainland China.

Techwayson Industrial Limited, 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 eight 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 2008.

There was no significant unprovided deferred taxation for the year ended 30 June 2002 (2001: Nil).

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a loss of approximately RMB1,256,000 (2001: RMB1,010,000) dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2002 is based on the consolidated profit attributable to shareholders of RMB45,030,000 (2001: RMB60,437,000) and the weighted average number of 350,000,000 shares (2001: 307,808,000 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 30 June 2002 (2001: Nil).

11. FIXED ASSETS

	The Group					
	2002					2001
	Leasehold improvements	Equipment	Furniture	Motor vehicles	Total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
Beginning of year	**607**	**3,892**	**474**	**778**	**5,751**	6,268
Additions	**80**	**478**	**–**	**394**	**952**	2,204
Disposals	**–**	**(368)**	**–**	**–**	**(368)**	(2,721)
End of year	**687**	**4,002**	**474**	**1,172**	**6,335**	5,751
Accumulated depreciation						
Beginning of year	**219**	**1,737**	**93**	**159**	**2,208**	1,690
Provision for the year	**189**	**524**	**70**	**167**	**950**	1,104
Disposals	**–**	**(35)**	**–**	**–**	**(35)**	(586)
Impairment loss recognised	**–**	**222**	**–**	**–**	**222**	–
End of year	**408**	**2,448**	**163**	**326**	**3,345**	2,208
Net book value						
End of year	**279**	**1,554**	**311**	**846**	**2,990**	3,543
Beginning of year	**388**	**2,155**	**381**	**619**	**3,543**	4,578

12. PROPERTY UNDER DEVELOPMENT

	The Group			
	2002			2001
	Land cost	Development cost	Total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of year	–	–	–	–
Additions during the year	1,648	10,238	11,886	–
End of year	1,648	10,238	11,886	–

The property under development is located in Mainland China and the Group is in the process of obtaining the land use right certificate for the medium term leasehold land.

13. SOFTWARE DEVELOPMENT COSTS

	The Group	
	2002	2001
	RMB'000	*RMB'000*
Cost		
Beginning of year	27,710	–
Additions	6,927	27,710
End of year	34,637	27,710
Accumulated amortisation and impairment		
Beginning of year	–	–
Amortisation for the year	4,946	–
Impairment loss for the year	6,000	–
End of year	10,946	–
Net book value		
End of year	23,691	27,710
Beginning of year	27,710	–

The directors of the Company are of the opinion that the software under development will generate adequate revenue and profit (after considering normal selling costs) in the foreseeable future to recover the related development costs.

14. INVESTMENTS IN SECURITIES

	The Group	
	2002	2001
	RMB'000	*RMB'000*
Investment securities		
Equity securities - Unlisted	**51,940**	–

Investment securities represent the Group's 18.52% holding of the registered capital of Tongling Huarui Electronic Materials Company Limited, a company incorporated in Mainland China.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2002	2001
	RMB'000	*RMB'000*
Unlisted shares, at cost	**67,627**	67,627
Due from subsidiaries	**65,084**	27,734
Due to a subsidiary	**(363)**	(11)
	132,348	95,350

All balances with subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

15. INVESTMENT IN SUBSIDIARIES *(Cont'd)*

Details of the subsidiaries as at 30 June 2002 are as follows:

Name of company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Usualink Development Limited	British Virgin Islands/British Virgin Islands	US$1,250	100%	–	Investment holding
Techwayson Industrial Limited *	Mainland China/ Mainland China	HK$10,000,000	–	100%	Design, supply and integration of automation and control systems
Techwayson Management Limited	Hong Kong/ Hong Kong	HK$10,000	100%	–	Provision of management services
Techwayson Enterprises Limited (Formerly known as Topart Development Limited)	British Virgin Islands/ Mainland China	US$100	100%	–	Design and integration of automation and control systems
Techwire Enterprises Limited	British Virgin Islands/British Virgin Islands	US$100	100%	–	Investment holding

* Techwayson Industrial Limited is a wholly foreign owned enterprise established in a special economic zone of Mainland China to be operated for 15 years up to September 2012.

16. INVENTORIES

	The Group	
	2002	2001
	RMB'000	*RMB'000*
Raw materials	**627**	403
Finished goods	**967**	109
	1,594	512

No inventory was stated at net realisable value as at 30 June 2002 (2001: Nil).

17. OTHER RECEIVABLE

In February 2001, the Group entered into a co-operation agreement with a third-party business associate (the "Project Partner"), a private company operating in Mainland China, to jointly develop a new automation system. Total development costs were estimated to be approximately RMB49,184,000 and each of the Group and the Project Partner was required to contribute approximately RMB24,592,000. The Group fully paid its contribution to the Project Partner during the year ended 30 June 2001. The co-operation agreement was subsequently cancelled in June 2001 due to default of payment by the Project Partner. In connection with the termination of the agreement, the Project Partner agreed to refund the entire contribution made by the Group of approximately RMB24,592,000 and to pay compensation of approximately RMB3,286,000 to the Group. As at 30 June 2001, the Group had an unsettled balance outstanding from the Project Partner of approximately RMB17,490,000 which was fully settled subsequent to 30 June 2001.

18. TRADE RECEIVABLES

Trade receivables consisted of:

	The Group	
	2002	2001
	RMB'000	*RMB'000*
Trade receivables	**48,019**	30,918
Retention monies receivable*	**1,533**	5,000
	49,552	35,918

* Retention monies are receivable upon expiry of the product warranty period, which is generally one year after completion of the contract.

18. TRADE RECEIVABLES *(Cont'd)*

Customers are normally required to settle the debts within two weeks upon issue of invoices.

Aging analysis of trade receivables at the year-end date is as follows:

	The Group	
	2002	2001
	RMB'000	*RMB'000*
0 - 60 days	**33,655**	31,092
61 - 90 days	**168**	–
Over 90 days	**15,729**	4,826
	49,552	35,918

The amounts due over 60 days as shown above had been fully settled subsequent to the year-end date.

19. TRADE PAYABLES

Aging analysis of trade payables at the year-end date is as follows:

	The Group	
	2002	2001
	RMB'000	*RMB'000*
0 - 60 days	**7,295**	820
61 - 90 days	**1**	–
Over 90 days	**45**	67
	7,341	887

20. WARRANTY PROVISION

	The Group	
	2002	2001
	RMB'000	*RMB'000*
Beginning of year	**6,946**	1,442
Provision during the year	**84**	5,504
Utilisation of provision	**(37)**	–
Unused amounts reversed during the year	**(6,909)**	–
End of year	**84**	6,946

The warranty provision represents management's best estimate of the Group's liability under 6 month to 36 month warrants granted on system control equipment and software products and system integration services based on historical experience and management's estimate of level of future claims.

21. LOANS PAYABLE

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other loans, unsecured				
Interest bearing	**19,080**	–	**19,080**	–
Non-interest bearing	**2,000**	–	**–**	–
	21,080	–	**19,080**	–

The maturity of the above loans is as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**5,578**	–	**3,578**	–
More than one year, but not exceeding two years	**2,385**	–	**2,385**	–
More than two years, but not exceeding five years	**7,155**	–	**7,155**	–
More than five years	**5,962**	–	**5,962**	–
	21,080	–	**19,080**	–
Less: Amounts due within one year shown under current liabilities	**(5,578)**	–	**(3,578)**	–
	15,502	–	**15,502**	–

The non-interest bearing loan as at 30 June 2002 is repayable within 1 year.

The interest bearing loan as at 30 June 2002 bore interest at LIBOR plus 0.5% p.a. and is repayable in 16 equal instalments over a period of 8 years.

22. SHARE CAPITAL

Movements of share capital were:

	The Company	
	Number of shares	Amount
		RMB'000
Authorised - ordinary shares of RMB0.106 each (equivalent of HK$0.1)		
Upon incorporation of the Company (a)	3,900,000	413
Increase in authorised share capital (b)	996,100,000	105,587
As at 30 June 2001	1,000,000,000	106,000
As at 30 June 2002	1,000,000,000	106,000
Issued and fully paid - ordinary shares of RMB0.106 each (equivalent of HK$0.1)		
Issue of shares upon incorporation (a)	2,500	–
Issue of shares arising from the Reorganisation (c)	7,500	1
Issue of shares through a placing (d)	70,000,000	7,420
Capitalisation of share premium (e)	279,990,000	29,679
As at 30 June 2001	350,000,000	37,100
As at 30 June 2002	350,000,000	37,100

Notes:

(a) Upon incorporation on 1 September 2000, the Company had authorised share capital of HK$390,000, divided into 3,900,000 shares of HK$0.10 each. On the same date, 1,500 shares were allotted and issued as fully paid. On 21 September 2000, the Company further allotted and issued 1,000 shares of HK$0.10 each, credited as fully paid.

(b) On 22 January 2001, the Company's authorised share capital was increased from HK$390,000 to HK$100,000,000, by the creation of 996,100,000 shares of HK$0.10 each ranking pari passu with the then existing shares in all respects.

22. SHARE CAPITAL *(Cont'd)*

(c) On 16 January 2001, the Company allotted and issued 7,500 shares of HK$0.10 each, credited as fully paid, in exchange for the acquisition by the Company of the entire issued share capital of Usualink Development Limited, the then holding company of the Group.

(d) On 6 February 2001, 70,000,000 shares of HK$0.10 each were issued at HK$0.78 per share through a placing, resulting in cash proceeds (net of share issuance expenses) of approximately HK$41,754,000 (equivalent to approximately RMB44,259,000).

(e) Immediately after the aforementioned placing, share premium of approximately HK$27,999,000 (equivalent to approximately RMB29,679,000) was capitalised for the issuance of 279,990,000 shares of HK$0.10 each on a pro-rata basis to the Company's shareholders immediately before the placing.

23. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. No option has been granted since the adoption of the share option scheme.

24. RESERVES

	Share premium *RMB'000*	General reserve funds (Note (a)) *RMB'000*	Capital reserve (Note (b)) *RMB'000*	Contributed surplus (Note (c)) *RMB'000*	(Accumulated deficit)/ Retained profit *RMB'000*	Total *RMB'000*
The Group						
As at 1 July 2000	–	1,303	–	–	7,358	8,661
Premium on issue of shares (Note 22.d)	50,456	–	–	–	–	50,456
Share issuance expenses (Note 22.d)	(13,617)	–	–	–	–	(13,617)
Capitalisation of share premium (Note 22.e)	(29,679)	–	–	–	–	(29,679)
Capitalisation of shareholders' loans by a subsidiary (Note (d))	–	–	13,842	–	–	13,842
Effect of reorganisation (Note (1))	–	–	(1)	–	–	(1)
Profit attributable to shareholders	–	–	–	–	60,437	60,437
Transfer from retained profits to reserve	–	4,006	–	–	(4,006)	–
As at 30 June 2001	7,160	5,309	13,841	–	63,789	90,099
Profit attributable to shareholders	–	–	–	–	45,030	45,030
As at 30 June 2002	7,160	5,309	13,841	–	108,819	135,129
The Company						
As at 1 July 2000	–	–	–	–	–	–
Premium on issue of shares (Note 22.d)	50,456	–	–	–	–	50,456
Share issuance expenses (Note 22.d)	(13,617)	–	–	–	–	(13,617)
Capitalisation of share premium (Note 22.e)	(29,679)	–	–	–	–	(29,679)
Effect of reorganisation (Note (1))	–	–	–	67,614	–	67,614
Loss attributable to shareholders	–	–	–	–	(1,010)	(1,010)
As at 30 June 2001	7,160	–	–	67,614	(1,010)	73,764
Loss attributable to shareholders	–	–	–	–	(1,256)	(1,256)
As at 30 June 2002	7,160	–	–	67,614	(2,266)	72,508

24. RESERVES *(Cont'd)*

Notes:–

(a) As stipulated by regulations in Mainland China, Techwayson Industrial Limited is required to appropriate 10% of after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its share capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for the issuance of bonus shares on the condition that the general reserve fund shall be maintained at a minimum of 25% of the share capital after such issuance.

During the year ended 30 June 2001, the board of directors of Techwayson Industrial Limited determined to transfer the public welfare fund brought forward of RMB434,000 and appropriate current year after-tax profit of RMB4,006,000 to the general reserve fund. As a result, the balance of the general reserve fund has reached 50% of the share capital of Techwayson Industrial Limited and the board of directors has determined that no further appropriation is necessary unless there is an increase in share capital of the company.

(b) Capital reserve represents effect of the reorganisation and capitalisation of shareholders' loans by a subsidiary.

(c) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 16 January 2001.

(d) Loans from shareholders were unsecured and non-interest bearing. On 27 November 2000, loans from shareholders of RMB13,842,000, were capitalised as share capital of Usualink Development Limited, a subsidiary of the Company.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

As at 30 June 2002, the Company's reserves available for distribution to shareholders amounted to RMB72,508,000 (2001: RMB73,764,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of RMB7,160,000 (2001: RMB7,160,000) and contributed surplus of RMB67,614,000 (2001: RMB67,614,000), less accumulated deficit of RMB2,266,000 (2001: RMB1,010,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	2002 *RMB'000*	2001 *RMB'000*
Profit before taxation	**47,879**	61,984
Interest income	**(122)**	(429)
Interest expenses	**511**	–
Loans payable waived	**(22)**	–
Depreciation of fixed assets	**950**	1,104
Amortisation of software development costs	**4,946**	–
Goodwill written off	**22**	–
Impairment loss on software development costs	**6,000**	–
Loss recognised for impairment in value of fixed assets	**222**	–
Loss on disposal of fixed assets	**38**	868
Loss on disposal of investments in securities	**–**	1,524
Increase in inventories	**(1,082)**	(137)
(Increase)/decrease in prepayments, deposits and other current assets	**(377)**	1,216
Increase in trade receivables	**(13,634)**	(28,134)
Decrease in due from a related company	**–**	3,573
Increase in trade payables	**6,454**	836
Increase in accruals and other payables	**2,658**	2,792
(Decrease)/increase in warranty provision	**(6,862)**	5,504
Increase in receipts in advance	**775**	–
Net cash inflow from operating activities	**48,356**	50,701

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) Acquisition of a subsidiary

During the year, the Group acquired 100% of shares of a subsidiary, Techwire Enterprises Limited. The fair value of assets acquired and liabilities assumed were as follows:

	RMB'000
Investment in securities	51,940
Amount due to a shareholder	(32,882)
Other loan	(19,080)
	(22)
Goodwill on acquisition	22
	–

The subsidiary acquired during the year utilised RMB32,860,000 for financing activities, but had no significant impact in respect of the Group's net operating cash flows, tax, net returns on investments and servicing of finance, or investing activities.

The subsidiary acquired during the year made no significant contribution to the Group's turnover and the profit attributable to the shareholders for the year.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(c) Analysis of changes in financing:

	Share capital and share premium *RMB'000*	Loans payable *RMB'000*	Due to directors *RMB'000*	Loans from shareholders *RMB'000*	Total *RMB'000*
As at 1 July 2000	–	3,000	6,934	10,745	20,679
Issue of shares through a placing	57,876	–	–	–	57,876
Share issuance expenses	(13,617)	–	–	–	(13,617)
Effect of reorganisation (Note 1 and 24)	1	–	–	–	1
Repayment of loan	–	(3,000)	–	–	(3,000)
Repayment to directors	–	–	(6,934)	–	(6,934)
Loans from shareholders	–	–	–	3,097	3,097
Capitalisation of shareholders' loans (Note 24.d and 25.d)	–	–	–	(13,842)	(13,842)
As at 30 June 2001	44,260	–	–	–	44,260
On acquisition of a subsidiary	–	51,962	–	–	51,962
Repayment of loan	–	(32,860)	–	–	(32,860)
Amount waived	–	(22)	–	–	(22)
Loans obtained	–	2,000	–	–	2,000
As at 30 June 2002	44,260	21,080	–	–	65,340

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(d) Non-cash transactions

On 6 April 2000, the former shareholders of Techwayson Industrial Limited. ("TIL"), a wholly-owned subsidiary, agreed to transfer their interests in TIL to Usualink Development Limited ("Usualink"), the then holding company of the Group, at an aggregate consideration of RMB10,000,000. The former shareholders of TIL agreed not to demand repayment of such indebtedness in cash, with the entire amount to be capitalised as share capital of Usualink. Such indebtedness of RMB10,000,000 by Usualink to the former shareholders of TIL was subsequently assigned to Otto Link Technology Limited and United Power Investments Limited, the then shareholders of Usualink. On 27 November 2000, such indebtedness, together with other loans from shareholders totalling RMB13,842,000 were capitalised as share capital of Usualink.

26. COMMITMENTS

(a) Capital commitments

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Authorised and contracted for				
– Software development costs	**–**	6,927	**–**	–
– Property under development	**115,500**	–	**–**	–
	115,500	6,927	**–**	–

26. COMMITMENTS *(Cont'd)*

(b) Operating lease commitments

At the balance sheet date, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,337**	1,917	**–**	–
Between two and five years	**1,432**	2,046	**–**	–
	2,769	3,963	**–**	–

27. PENSION SCHEMES

From 1 December 2000, the Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, Techwayson Industrial Limited is required to contribute to a state-sponsored retirement plan for all of its employees at rates of 7% to 12% of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 30 June 2002, the aggregate employer's contributions made by the Group amounted to RMB217,000 (2001: RMB278,000). As at 30 June 2002, there were no material forfeitures available to offset the Group's future contributions (2001: Nil).

28. RELATED PARTY TRANSACTIONS

The Group entered into the following transaction with a related party:

	2002	2001
	RMB'000	*RMB'000*
Share of operating expenses charged to Albordy Industrial Limited (Formerly known as "Broadlink Technology Limited")	–	2,391

Albordy Industrial Limited is beneficially owned by Dr. Sze Kwan, a director of the Company.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Techwayson Holdings Limited (the "Company") will be held at Boardroom 1/F., South Pacific Hotel, 23 Morrison Hill Road, Wan Chai, Hong Kong on Friday, 25 October 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the directors and auditors for the year ended 30 June 2002;

2. To re-elect retiring directors and to authorize the board of directors to fix the directors' remuneration;

3. To re-appoint the auditors and to authorize the board of directors to fix their remuneration; and

4. As special business, to consider and, if thought fit, pass the following resolutions ("Resolutions") which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) **"THAT:**

(a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares in the Company upon the exercise of options which may be granted under Share Option Scheme (as approved by an Ordinary Resolution passed on 22 January 2001) or any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company; (iii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into shares of the Company, or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; shall not exceed 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution; and

"Rights Issue" means an offer of shares, or an offer of warrants ,options or other securities giving rights to subscribe for shares, open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in ,any territory applicable to the Company)."

(2) **"THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company, including to determine the manner of the repurchase, to repurchase shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules (as defined in Resolution No. (1) set out in item 4 of the notice of this meeting) or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal value of the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the authority granted pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution."

(3) **"THAT** conditional upon the Resolutions Nos. (1) and (2) set out in item 4 of the notice of this meeting being passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the

Company to allot, issue and deal with additional shares of the Company pursuant to Resolution No. (1) set out in item 4 of the notice of this meeting be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. (2) set out in item 4 of the notice of this meeting, provided that such extended amount shall not exceed 10 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution."

By Order of the Board
Techwayson Holdings Limited
Sze Kwan
Chairman

Hong Kong, 16 September 2002

Principal place of business:
Room 1810, 18th Floor
Harbour Centre
25 Harbour Road
WanChai
Hong Kong

Notes:

1. In order to qualify for attending the forthcoming Meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrar Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the appointed time for holding the Meeting.

2. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.

3. To be valid, a form of the proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Hong Kong Registrar Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

4. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the Meeting if the shareholder so desires.