

The Directors are pleased to present their third 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 2003.

BACKGROUND OF THE COMPANY

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 29 January 2003, the Company withdrew the listing its shares on GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by way of introduction.

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 business segments and geographical segments for the year ended 30 June 2003 is set out in Note 4 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2003, the five largest customers accounted for approximately 77% (2002: 99%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 61% (2002: 93%) of the Group's total purchases. The largest customer of the Group accounted for approximately 37% (2002: 65%) of the Group's total turnover while the largest supplier accounted for approximately 16% (2002: 36%) 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 2003 are set out in the consolidated income statement on page 20 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the retained profit of approximately RMB118,442,000 as at 30 June 2003 (2002: RMB108,819,000) be carried forward.



Report of the Directors

TECHWAYSON HOLDINGS LIMITED

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 20 of this annual report.

As at 30 June 2003, the Company's reserves of approximately RMB50,143,000 (2002: RMB72,508,000) were available for distribution to the Company's shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2003 are set out in Note 26 to the accompanying financial statements.

RETIREMENT SCHEMES

Details of retirement schemes are set out in Note 29 to the accompanying financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in Note 22 to the accompanying financial statements.

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. XIONG Jian Rui *(Appointed on 16 May 2003)*

Mr. YE Wei Fa *(Resigned on 16 May 2003)*

Non-Executive Director

Mr. LIN Gongshi

Independent Non-Executive Directors

Mr. WEE Soon Chiang, Henny

Mr. WONG Kam Kau, Eddie

Mr. KUANG Ding Bo *(Resigned on 1 October 2002)*

In accordance with the Articles of Association of the Company, Mr. Wee Soon Chiang, Henny and Mr. Wong Kam Kau, Eddie 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 a term of two years commencing from 1 December 2002. 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 fixed term. Mr. Wee Soon Chiang, Henny and Mr. Wong Kam Kau, Eddie, being independent non-executive directors of the Company have entered into a service contracts with the Company commencing from 7 September 2001.

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).

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DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

Name of Director	Nature of Interests	Number of share held
Dr. Sze Kwan	Corporate	161,700,000*

* *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 2003, none of the directors or their associates had any interests in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the interest of the persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Number of shares held	Approximate shareholdings
Otto Link Technology Limited (a)	161,700,000	46.20%
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:—

- 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.
- 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, as at 30 June 2003, the Company has not been notified of any other interests in any shares or underlying shares of the Company which is to be disclosed under the SFO.

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

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 20 January 2003, the share option scheme adopted by the Company on 22 January 2001 (the "Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted. The purpose of the New Scheme is to provide incentive and to recognise the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide more flexibility to the Group in terms of remunerating the participants.

As at 30 June 2003, no option was granted by the Company under the employee share option scheme.

COMPETING INTEREST

None of the directors of the Company have any interest in any business which competes with or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code. The audit committee comprises the two independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In so far as the Directors are aware, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year except that the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company's Bye-Laws.



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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, 19 September 2003