

Report of the Directors

The Directors are pleased to present their fourth annual report together with the audited financial statements of Techwayson Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30th June 2004.

BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 1st September 2000 as an exempted Company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8th February 2001. On 29th January 2003, the Company withdrew the listing of 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 30th June 2004 is set out in Note 4 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 30th June 2004, the five largest customers accounted for approximately 79% (2003: 77%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 89% (2003: 61%) of the Group's total purchases. The largest customer of the Group accounted for approximately 45% (2003: 37%) of the Group's total turnover while the largest supplier accounted for approximately 46% (2003: 16%) 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 30th June 2004 are set out in the consolidated income statement on page 17 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the retained profit of approximately RMB129,363,000 as at 30th June 2004 (2003: RMB118,442,000) be carried forward.

RESERVES AND RETAINED PROFIT

Movements in reserves of the Group and the Company during the year are set out in Note 25 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 17 of this annual report.

As at 30th June 2004, the Company's reserves of approximately RMB58,562,000 (2003: RMB50,143,000) were available for distribution to the Company's shareholders.

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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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment 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 30th June 2004 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 23 to the accompanying financial statements.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. XIONG Jian Rui

Mr. TUNG Fai

Mr. SHI Simon Hao *(Appointed on 25th March 2004)*

Mr. LIM Ka Thiam *(Appointed on 30th March 2004)*

Mr. LAW Yip Wai, Benjamin *(Appointed on 26th February 2004 and resigned on 30th March 2004)*

Mr. CHEN Ying Feng *(Appointed on 30th March 2004 and resigned on 27th September 2004)*

Mr. LEE Tiong Hock *(Resigned on 25th March 2004)*

Dr. SZE Kwan *(Resigned on 30th March 2004)*

Non-Executive Director

Mr. LIN Gongshi

Independent Non-Executive Directors

Mr. WEE Soon Chiang, Henny

Mr. WONG Kam Kau, Eddie

Mr. HUI Hung, Stephen *(Appointed on 27th September 2004)*

In accordance with the Articles of Association of the Company, Mr. TUNG Fai and Mr. LIN Gongshi will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Tung Fai, being executive director of the Company, has entered into a service contract with the Company for a term of two years commencing from 1st December 2002. The service contract shall continue thereafter until terminated by either party giving the other not less than three months' written notice after the expiration of the said fixed term. Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen, being independent non-executive directors of the Company have entered into service contracts with the Company commencing from 7th September 2001, 7th September 2001 and 27th September 2004 respectively. The Service contracts shall continue unless and until terminated by either party giving the other not less than one month's written notice.

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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INTERESTS OF DIRECTORS

As at 30th June 2004, the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies discloses no Directors and their associates as having a notifiable interest or short position in the issued share capital of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 2004, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the Provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares of the Company:

Name	Number of shares held	Approximate Shareholding
Otto Link Technology Limited ¹	126,700,000	36.20%
Goldwiz Technology Limited	96,824,000	27.66%
Goldwiz Holdings Limited ²	96,824,000	27.66%
Mr. Siu Ting	38,976,000	11.14%

Notes:

- Otto Link Technology Limited is beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai who is a director of the Company.
- Goldwiz Holdings Limited is the 100% holding company of Goldwiz Technology Limited ("Goldwiz Technology") and is therefore deemed to be interested in the 96,824,000 Shares held by Goldwiz Technology.

Save as disclosed above and so far as known to the Directors, as at 30th June 2004, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the Provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 20th January 2003, the share option scheme adopted by the Company on 22nd 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.

During the year ended 30th June 2004, no option was granted, exercised or cancelled by the Company under the Scheme.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code.

The audit committee comprises three independent non-executive directors, namely Mr. Wee Soon Chiang, Henry, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen. The audited financial results for the year ended 30th June 2004 have been reviewed by the audit committee who were of the opinion that the preparation of such results complied with applicable accounting standards and legal requirements and that adequate disclosures had been made.

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 to the Listing Rules throughout the year except that the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company's Articles of Association.

AUDITORS

The accounts have been audited by Messrs. CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.), Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By Order of the Board
XIONG Jian Rui
Chairman

Hong Kong, 26th November 2004