

Report of the Directors

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The Directors present their fifth 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 2005.

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 had 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 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 30 June 2005 is set out in Note 5 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2005, the five largest customers accounted for approximately 76% (2004: 79%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 87% (2004: 89%) of the Group's total purchases. The largest customer of the Group accounted for approximately 43% (2004: 45%) of the Group's total turnover while the largest supplier accounted for approximately 71% (2004: 46%) of the Group's total purchases.

None of the directors, their associates, or any shareholder of the Company, 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 DIVIDENDS

Details of the Group's results for the year ended 30 June 2005 are set out in the consolidated income statement on page 15 of this annual report.

The Directors do not recommend the payment of a dividend and no dividend was paid during the year under review (2004: nil).

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 26 to the accompanying financial statements.

As at 30 June 2005, the Company's reserves of approximately RMB22,043,000 (2004: RMB58,562,000) 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 articles of association and the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 12 to the accompanying financial statements.

PROPERTY UNDER DEVELOPMENT

Details of movements in property under development during the year are set out in Note 13 to the accompanying financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 16 to the accompanying financial statements.

COMMITMENTS

Particulars of commitments as at 30 June 2005 are set out in Note 28 to the accompanying financial statements.

RETIREMENT SCHEMES

Details of retirement schemes are set out in Note 31 to the accompanying financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in Note 25 to the accompanying financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 2 and 3 of the annual report.

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
 Mr. ZHANG Fang Hong (*Appointed on 27 January 2005*)
 Mr. LIM Ka Thiam (*Resigned on 27 January 2005*)

Non-executive Director

Mr. LIN Gongshi

Independent Non-executive Directors

Mr. WEE Soon Chiang, Henny
 Mr. WONG Kam Kau, Eddie
 Mr. HUI Hung, Stephen

In accordance with Article 87(2) of the Company's Articles of Association, Mr. XIONG Jian Rui and Mr. SHI Simon Hao shall retire from office by rotation at the forthcoming annual general meeting and being eligible will offer themselves for re-election at the meeting.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. HUI Hung, Stephen and Mr. ZHANG Fang Hong shall hold office until the forthcoming annual general meeting of the Company and being eligible will offer themselves for re-election at the 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 1 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 7 September 2001, 7 September 2001 and 27 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).

INTERESTS OF DIRECTORS

As at 30 June 2005, 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.

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INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, 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:

1. 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.
2. 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 was known to the Directors, as at 30 June 2005, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors is interested in any business which compete or are likely to compete, either directly or indirectly, with the businesses of the Company during the year ended 30 June 2005 and up to the date of this report.

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.

During the year ended 30 June 2005, no option was granted, exercised or cancelled by the Company under the New Scheme.

AUDIT COMMITTEE

The Company has an audit committee which was established to provide independent review of the financial statements of the Group. The current committee members are Mr. Wee Soon Chiang, Henny, Mr. Wong Kam Kau, Eddie and Mr. Hui Hung, Stephen, independent non-executive directors of the Company.

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 Articles of Association.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transaction. Having made specific enquiry of all directors of the Company, they confirm that they complied with the required standard as set out in the Model Code during the year ended 30 June 2005.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

The accounts have been audited by Messrs. CCIF CPA Limited, 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, 29 September 2005