



# TECHNOLOGY VENTURE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Website: <http://www.tvh.com.hk>

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2001

### RESULTS

The directors (the "Directors") of Technology Venture Holdings Limited (the "Company") hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 together with comparative figures for the corresponding period in 2000 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2001	2000
		(unaudited)	(unaudited)
	Notes	HK\$ '000	HK\$ '000
TURNOVER	2	265,343	183,675
Cost of sales		(231,424)	(132,004)
Gross profit		33,919	51,671
Other revenue		1,470	3,298
Selling and distribution expenses		(24,852)	(7,673)
Administrative expenses		(44,113)	(27,788)
Amortization of goodwill arising from acquisition of a subsidiary		(1,274)	-
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(34,850)	19,508
Finance costs		(795)	(570)
PROFIT/(LOSS) BEFORE TAX		(35,645)	18,938
Tax	4	(48)	(3,176)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(35,693)	15,762
Minority interests		(865)	(774)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(36,558)	14,988
Dividends	5	-	(4,830)
RETAINED PROFIT/(DEFICIT) FOR THE PERIOD		(36,558)	10,158
EARNINGS/(LOSS) PER SHARE	6		
Basic		HK\$ (0.10)	HK\$0.05
Diluted		HK\$ (0.10)	HK\$0.05

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting" except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has adopted the transitional

provisions set out in paragraph 37.3 of Appendix 16 of the Rules Governing the Listing of Securities on the SEHK.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2000.

Several new accounting standards issued by the Hong Kong Society of Accountants are effective for this financial period. The changes to the Group's accounting policies arise from the adoption of SSAP9 (Revised) and SSAP30.

The adoption of SSAP9 (Revised) "Events after the balance sheet date" results in a change in accounting policy whereby dividends proposed after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change has been applied retrospectively and comparatives have been restated. The opening revenue reserve as at 1st January 2001 has increased by HK\$1.81 million as a result of the reversal of the previous year's proposed dividend. Proposed dividends are now separately disclosed on the face of the balance sheet within shareholders' funds.

With the introduction of HK SSAP 30 "Business combinations", the group has adopted the transitional provisions prescribed therein. New goodwill incurred after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1 January 2001 will continue to be held in the reserve and no reinstatement has been made. However, any impairment arising on such goodwill is recognised in the profit and loss account.

## 2. Turnover

An analysis of turnover by principal activity and geographical area of operation is as follows:

	Six months ended 30 June	
	2001	2000
	HK\$ '000	HK\$ '000
Distribution of computer hardware products	218,647	135,481
Distribution of computer software products	29,129	17,198
Provision of computer technology services	17,567	30,996
	-----	-----
	265,343	183,675
	=====	=====
By geographical area:		
The People's Republic of China (the "PRC")		
Hong Kong	51,623	24,730
Elsewhere	213,720	158,945
	-----	-----
	265,343	183,675
	=====	=====

## 3. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	Six months ended 30 June	
	2001	2000
	HK\$ '000	HK\$ '000
Cost of goods sold	231,424	132,004
Depreciation	3,551	1,962
Amortization of deferred development costs	500	659
	=====	=====

## 4. Tax

Six months ended 30 June	
2001	2000
HK\$ '000	HK\$ '000

Hong Kong	–	250
Elsewhere	126	2,926
Deferred	(78)	–
	-----	-----
	48	3,176
	=====	=====

No provision has been made for Hong Kong Profits tax as the Group has no estimated assessable profits for the period (2000: 16%). Taxes on profits elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. Tax recoverable represents provisional tax paid in excess of the estimated tax liability of the Group.

## 5. Interim dividend

The Directors have resolved not to pay an interim dividend to shareholders (2000: 1.5 Hong Kong cents).

## 6. Earnings/(loss) per share

The calculation of the basic loss per share for the six months ended 30 June 2001 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$36,558,000 and on the weighted average of 362,000,000 shares in issue during the period.

The calculation of the basic earnings per share for the six months ended 30 June 2000 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$14,988,000 and on the weighted average of 316,692,308 shares in issue during the period.

The calculation of diluted loss per share for the six months ended 30 June 2001 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$36,558,000 and the weighted average of 362,334,495 shares issued during the period. Included in the weighted average number of shares used in calculating the diluted earnings per share are weighted average of 334,495 shares, which are deemed to be issued at no consideration if all outstanding share options have been exercised.

The calculation of diluted earnings per share for the six months ended 30 June 2000 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$14,988,000 and the weighted average of 318,750,265 shares issued during the period. Included in the weighted average number of shares used in calculating the diluted earnings per share are weighted average of 2,057,957 shares, which are deemed to be issued at no consideration if all outstanding share options have been exercised.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Performance

The first half of the year was a period of business repositioning and restructuring for the Group. The management has dedicated its efforts to re-aligning the Group's business focus, streamlining operations in non-performing areas and strengthening areas of growth from among both the existing business portfolio and newly acquired ventures.

For the six months ended 30 June 2001, the Group's turnover was approximately HK\$265 million, representing a growth of approximately 44% in comparison with the corresponding period in 2000. During the same period, the Group recorded a net loss attributable to shareholders of HK\$37 million compared to a net profit attributable to shareholders of approximately HK\$15 million for the corresponding period in 2000.

Management has identified several key factors, in addition to prevailing market conditions, that contributed to these losses. They are examined in the following section, followed by an outline of management's strategies in response.

- The Group's software development operation in Hong Kong, which mainly focuses on e-business development and public-sector projects, continues to face a difficult business environment exacerbated by the global slow-down in e-business development and keen competition in the area of public-sector projects. Despite cost control measures introduced into the division since the first quarter of the year, the division incurred a considerable loss during the first half of the year.
- The Group's mainframe systems integration operation under Sequent China/Hong Kong Limited ("Sequent

China"), a 91% owned subsidiary of the Company, has also undergone a period of restructuring. Faced with deteriorating gross margins and the increasing cost of financing on hardware products, the division's principal business focus has been gradually shifting from hardware integration to maintenance, service provision and applications development. As a result of this new strategy, the division has extensively re-aligned its manpower make-up and has thus incurred considerable restructuring costs in the process.

## **Review of Operations**

The Group's mainframe systems integration operations under Sequent China have experienced a slow-down in growth rate after years of robust expansion. Falling gross margins on hardware sales coupled with the increasing cost of financing due to the tight credit policies of vendors, have compelled the division to gradually shift its principal business focus from hardware integration to maintenance and service provision and to applications development. Considerable investment and effort have been and are being made to enhance the service, maintenance and applications development capacity of the division. In the near to medium term, the division will focus on areas such as server consolidation, credit cards and systems upgrade projects.

Performance of the Group's peripherals systems-integration arm, the Topasia operation, continues to be encouraging. The team maintains a clear and focused objective of becoming a leading ATM systems integrator in China. As discussed in our year 2000 annual report, we intended to adopt a more aggressive pricing strategy in order to increase the sales of ATMs. For the first half of the year, the division recorded healthy growth in sales of ATMs with lower gross margins compared to last year. On the other hand, the division has successfully expanded its ATM maintenance and service operation which commands higher gross margins than those from sales of ATMs. During the first half of the year, turnover from this operation almost reached that recorded for the previous twelve months. During the year, the division continued to expand its provision of supplementary systems-integration services in collaboration with EMC, the world's largest independent provider of enterprise intelligence storage systems and software.

As mentioned above, the Group's software development operation in Hong Kong, which mainly focuses on e-business development and public-sector projects, is still operating in a difficult business environment affected by the global slow-down in e-business development and by keen competition for public-sector projects. To deal with this situation, the division has adopted a very clear strategy: to tightly control the size of the operation and its expenditure and to focus only on viable projects that bring a reasonable rate of return. For the remainder of the year, the division will continue to serve the Bank of East Asia and government units such as the Information Technology Services Department and the Housing Authority on a number of software development projects.

Advanced Digital Technology Company Limited ("ADT"), in which the Group holds a 55% interest, has strengthened its position as a driver of the trend toward electronic banking in China. During the first half of the year, ADT has secured a number of contracts from the Industrial and Commercial Bank of China and the China Construction Bank, as well as from other banks such as Hua Xia Bank, CITIC Bank and China Everbright Bank. In terms of product range, the company has added a new home-grown financial front-end system, a personal foreign-exchange trading system and a new Call Center system, as well as NOVA, a new-generation Web-based development platform. In addition, ADT has expanded the scope of its services into software export and has recently signed a contract with NEC for the development of various financial software products. In the years ahead, the company plans to invest considerable resources in the expansion in this area. In essence, ADT's business roll-outs will continue to be technology oriented and geared to proprietary software.

In January 2001, the Group completed the acquisition of a 51% interest in DMX Technologies (Hong Kong) Limited (formerly Skynet Consultants Company Limited) ("DMX Technologies"), a network solutions provider operating in Hong Kong, China and other countries in Asia. During the first half of the year, the company concluded contracts to build the Metropolitan Area Networks ("MANs") for Suzhou CATV and the Gansu and Ningbo branches of China Telecom. MANs and Internet Data Center solutions have been and will continue to be the major business focuses of the company for 2001. Currently, DMX Technologies has four offices in China, namely Beijing, Guangzhou, Fuzhou and Hangzhou, and plans to set up offices in Shanghai and Xian this year to capture the growing demand for the company's services. To complement its solutions, the company has signed up with Top Layer Networks, Infolibria and Comtrend in the development of secure network solutions, multi-media streaming and content distribution solutions as well as access solutions with copper technologies. DMX Technologies is also committed to further expansion in the region. The Singapore and Malaysia offices are already in operation and the company is looking into opportunities in South Korea and Thailand with the possibility of direct operations or joint ventures in those markets.

## **Prospects**

Management views the second half of the year with cautious optimism. Management will redouble its efforts in re-aligning the Group's business focus, streamlining operations in non-performing areas and concentrating resources in growing areas with a view to stabilizing its performance amidst mounting difficulties in the information technology industry.

Management identifies Topasia, ADT and DMX as the key drivers of the Group's future business growth. To strengthen their positions and enhance their profitability, management will work closely with these operations to gradually transform their businesses by increasing the service element component. More value-added services, including maintenance and applications development, will be incorporated in the business mix to upgrade their respective profiles. Management is confident that these business strategies will drive the Group into sustainable long-term profitability and growth.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30 June 2001.

## **REVIEW BY AUDIT COMMITTEE**

The interim results have been reviewed by the Audit Committee.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate the Company is not, or was not for any part of the six months ended 30 June 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the independent non-executive directors do not have specific terms of appointment but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye laws. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

To comply with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Audit Committee") on 12 June 1999 with the written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises the two independent non-executive directors of the Company.

## **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE**

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) in due course.

By order of the Board  
**Chan Tze Ngon, Ron**  
*Chairman*

Hong Kong, 20 September 2001