



# TECHNOLOGY VENTURE HOLDINGS LIMITED

## ( 宏昌科技集團有限公司 )\*

(incorporated in Bermuda with limited liability)

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

<http://www.irasia.com/listco/hk/techventure>

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

#### RESULTS

The directors (the “Directors”) of Technology Venture Holdings Limited (the “Company”) are delighted to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 together with comparative figures for the corresponding period in 2002 as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2003	2002
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2		
Continuing operations		75,222	127,694
Discontinued operations		—	89,063
		<hr/>	<hr/>
		75,222	216,757
Cost of sales		(64,095)	(155,483)
		<hr/>	<hr/>
Gross profit		11,127	61,274
Other income		370	1,794
Selling and distribution expenses		(3,140)	(19,592)
Administrative expenses		(21,006)	(28,980)
Other operating expenses		(3,069)	(3,425)
		<hr/>	<hr/>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(15,718)	11,071
Finance costs		(468)	(665)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX			
Continuing operations		(16,186)	460
Discontinued operations		—	9,946
		<hr/>	<hr/>
		(16,186)	10,406

\* for identification only

Tax	4		
Continuing operations		(887)	1,463
Discontinued operations		–	(1,595)
		<u>(887)</u>	<u>(132)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(17,073)	10,274
Minority interests		<u>3,418</u>	<u>(9,744)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(13,655)	530
Dividends	5	<u>–</u>	<u>–</u>
RETAINED PROFIT/(DEFICIT) FOR THE PERIOD		<u>(13,655)</u>	<u>530</u>
EARNINGS/(LOSS) PER SHARE	6		
Basic (HK cents)		<u>HK(2.72) ¢</u>	<u>HK0.13¢</u>
Diluted (HK cents)		<u>N/A</u>	<u>HK0.13¢</u>

## 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 (“SSAP”) No. 2.125 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants. The unaudited interim financial statements has been prepared on a basis consistent with the principal accounting policies adopted in the 2002 annual report except for the accounting policy on deferred taxation.

With the introduction of HKSSAP 12 (revised) “Income taxes”, provision for deferred taxation is made for all taxable temporary differences as previously adopted. This change in accounting policy does not have any impact on the Group’s results and net assets for the current or prior periods.

## 2. Segment Information

### (a) Business segments

The following tables present revenue and operating profit/(loss) for the Group's business segments.

	<b>Banking and finance systems integration services 2003 HK\$'000</b>	<b>Software solution for banks and public sector 2003 HK\$'000</b>	<b>Broadband Internet equipments, network security software and business software systems 2003 HK\$'000</b>	<b>Eliminations 2003 HK\$'000</b>	<b>Consolidated 2003 HK\$'000</b>
Segment revenue:					
Sales to external customers	50,243	24,979	–	–	75,222
Intersegment sales	–	–	–	–	–
Interest income	36	16	–	–	52
Other income	93	7	–	–	100
	<u>50,372</u>	<u>25,002</u>	<u>–</u>	<u>–</u>	<u>75,374</u>
Total	<u>50,372</u>	<u>25,002</u>	<u>–</u>	<u>–</u>	<u>75,374</u>
Segment results	<u>(1,074)</u>	<u>(6,751)</u>	<u>–</u>	<u>–</u>	<u>(7,825)</u>
Unallocated interest income					218
Unallocated expenses					<u>(8,111)</u>
Loss from operating activities					<u>(15,718)</u>

The business segment of Broadband Internet equipments, network security software and business software carried on by DMX was disposed in second half of year 2002 and corresponding figure was separately shown as Discontinued Operations.

	<b>Banking and finance systems integration services 2002 HK\$'000</b>	<b>Software solution for banks and public sector 2002 HK\$'000</b>	<b>Broadband Internet equipments, network security software and business software systems 2002 HK\$'000</b>	<b>Eliminations 2002 HK\$'000</b>	<b>Consolidated 2002 HK\$'000</b>
Segment revenue:					
Sales to external customers	50,140	77,554	89,063	–	216,757
Intersegment sales	–	–	–	–	–
Interest income	389	408	188	–	985
Other income	97	–	480	–	577
	<u>50,626</u>	<u>77,962</u>	<u>89,731</u>	<u>–</u>	<u>218,319</u>
Total	<u>50,626</u>	<u>77,962</u>	<u>89,731</u>	<u>–</u>	<u>218,319</u>
Segment results	<u>2,231</u>	<u>10,752</u>	<u>6,396</u>	<u>–</u>	<u>19,379</u>
Unallocated interest income					248
Unallocated expenses					<u>(8,556)</u>
Profit from operating activities					<u>11,071</u>

(b) *Geographical segments*

The following tables present revenue and operating profit/(loss) for the Group's geographical segments.

	<b>Hong Kong</b>	<b>Elsewhere</b>	<b>Asia Pacific</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>2003</b>	<b>in the PRC</b>	<b>other than</b>	<b>2003</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>in the PRC</i>	<i>the PRC</i>	<i>2003</i>	<i>2003</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	2,797	72,425	–	–	75,222
Intersegment sales	–	–	–	–	–
	<u>2,797</u>	<u>72,425</u>	<u>–</u>	<u>–</u>	<u>75,222</u>
Segment results**	<u>(7,947)</u>	<u>(7,771)</u>	<u>–</u>	<u>–</u>	<u>(15,718)</u>
	<b>Hong Kong</b>	<b>Elsewhere</b>	<b>Asia Pacific</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>2002</b>	<b>in the PRC</b>	<b>other than</b>	<b>2002</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>in the PRC</i>	<i>the PRC</i>	<i>2002</i>	<i>2002</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	7,656	187,400	21,701	–	216,757
Intersegment sales	–	–	–	–	–
	<u>7,656</u>	<u>187,400</u>	<u>21,701</u>	<u>–</u>	<u>216,757</u>
Segment results**	<u>(22,009)</u>	<u>29,644</u>	<u>3,436</u>	<u>–</u>	<u>11,071</u>

\*\* *Disclosed pursuant to the requirements of the Listing Rules*

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

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

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of goods sold	64,095	155,483
Depreciation	2,010	3,746
Amortization of deferred development costs	<u>49</u>	<u>500</u>

#### 4. Tax

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong		
– current period	–	3,024
– overprovision in previous years	–	(1,889)
Elsewhere		
– current period	887	483
– overprovision in previous years	–	(1,486)
Deferred		
– current period	–	–
	<u>887</u>	<u>132</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: 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.

#### 5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

#### 6. Earnings/(loss) per share

The calculation of the basic earnings per share for the six months ended 30 June 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$13,655,000 (2002: Profit HK\$530,000) and on the weighted average of 501,209,644 (2002: 392,676,000) ordinary shares in issue during the period.

Diluted loss per share amount for the six months ended 30 June 2003 (2002: earning per share HK\$0.13 cents) have not been disclosed as the share option outstanding during this period has an anti-dilutive effect on the basic loss per share.

### MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, we have prudently implemented our redefined corporate strategies to achieve a new positioning to spearhead the future development of our operations. The Group's core market, China is changing at a rapid speed, with industry boundaries blurring and customers getting increasingly sophisticated.

TVH's management had started to rethink its fundamental offerings ahead of this change. This new marketing thinking has led TVH to further assimilate its offerings into the everyday life of people in the Mainland. In addition to directly selling its IT expertise and resources to enhance IT functions of clients, it is now leveraging these core strengths to create and market demand-led services.

The business renewal and refocus process has consolidated into further collaboration among TVH's core businesses of IT solutions and systems integration (SI), and software development and its strategic investment in online education services.

#### Performance Review

Over the past six months, TVH's business operations in China have been disrupted by the SARS epidemic leading to a decline in revenues by 65% to HK\$75,222,000 (2002: HK\$216,757,000). The decrease in turnover was also a result of the disposal of one of its core operating units, 61%-held DMX Technologies, in October 2002. Operating performance improved steadily the beginning of 2003. Attributable loss for the reporting period was HK\$13,655,000, compared with a full-year loss of HK\$28,560,000 (excluding loss attributable to the disposal of DMX of HK\$119,309,000) for 2002.

## **Business Review**

### *IT solutions and systems integration*

The Group integrated its core competencies in hardware and software solutions by combining the skill sets and resources of TopAsia and Sequent China. In the short to mid range, the focus of this strengthened team will remain in the banking and finance sector of China.

In the first half, self-service banking products and services, including automated teller machines (ATM) contributed immensely to the satisfactory performance of this division. Maintenance services line was somewhat restrained by the SARS outbreak in a number of cities in China, but still managed to deliver targeted results. The storage and networking business line was slightly behind expectations, but its order position was satisfactory and pointed to optimistic outlook for the rest of the year.

The new TopAsia team has been successful in retaining business relationships with most key accounts of Sequent China. A number of Sequent customers had signed up with TopAsia for maintenance services. Such contracts aggregated to more than RMB5 million in the first six months of 2003.

TopAsia's new marketing initiatives were partly geared to the distance learning market in China. During the period, it clinched an RMB1.5-million contract from Teacher.com.cn, China's official continuous education portal for primary and secondary school teachers.

On the banking SI front, TopAsia won an RMB8-million contract from Hangzhou Commercial Bank. Other projects included a customs control monitoring system of the Public Security Department at the capital airport. Initial works, which were worth over US\$1 million, included technological enhancement of the storage system and related software.

The division's overall order books continued to show sustainable growth year-on-year. Management maintained justifiable confidence in its performance in the second half.

## **Software**

The Group's software vehicle, 55%-owned Advanced Digital Technology (ADT), has strategized its product and services offerings into three major lines: software development and productization, network systems and mainframe systems. ADT covered a great deal of positive ground in the first half. It was named one of China's top 100 software companies for 2003, giving a further boost to its brand recognition in the country. This was coupled by the award of silver partnership by CISCO, and sole distributorships by Netscreen and Netscout.

A highly positive note was for ADT's active business development. In the past six months, ADT continued to further its strategic relationships with Industrial and Commercial Bank of China (ICBC) and China Construction Bank (CCB). It is one of ICBC's five authorized IT services providers, and ranks favorably in the preferred suppliers' shortlists of both banks. ADT also promoted its IT offerings aggressively to the country's five medium-sized commercial banks, and has been successful in initiating coverage of the insurance sector and in establishing distribution partnerships for selected products.

During the period, ADT recorded RMB22 million in revenues and held costs flat. Ongoing cost control and management realignment efforts are expected to bring ADT to stronger operating platform in the second half.

## **Online education through ChinaCast**

The Group's ventures into online education in China continued to be spearheaded by its investment in ChinaCast, with the support of collaborative efforts with other TVH units. Being the nation's only distance learning services provider with a nationwide satellite delivery network and the operator of the official teachers' portal Teacher.com.cn, ChinaCast responded quickly to the country's urgent call for online tuition services during the period of the unexpected SARS quarantine.

ChinaCast launched on April 30, 2003 the K-12 Video Classroom, a free Internet distance learning service for primary and high school students. This community project reflected ChinaCast unique position and commitment to serve our country's pressing needs for distance learning.

The Great West Distance Learning Program, a joint effort of ChinaCast and the Ministry of Labour and Social Security, went on live in April 2003 to provide vocational training content to eight remote provinces in the Great West.

Solid results were also achieved in extending collaboration efforts to enrich its distance learning content. A new partnership was established with the prestigious Jiangsu Qidong Secondary School to bring the school's education resources to the benefit of students in other regions. Other projects included a new English program with Dell English International and an interactive recruitment platform jointly with Beijing Municipal Education Committee and more than 300 high schools across the country. Similar discussions are also underway with the Press Office of the State Council, All-China Women's Association, Shanghai Accountancy Institute and Dell English International.

TVH's management remains confident in the overall online education market in China and will continue to explore possible ventures or collaboration with ChinaCast in this area. In addition, through its investment in ChinaCast, TVH will continue to examine closely the education market in China to assess whether this expanding market warrants the group to cater more management and capital resources to it or, in one day, set up a separate business unit to cater for the development in this area.

### **Outlook**

In 2003, the pace, scope and scale of market and industry changes are all set to increase, and dramatically. TVH's management and team of IT professionals command the vision, insights and innovation to see farther and deeper and to embrace new ideas to set the Group completely apart from its competition.

TVH does not operate only in today's IT sector, but also for the everyday life of people in tomorrow and the coming generations. Now that a lot of effort has been made in developing new growth areas and solid foundation has been laid, management is confident that TVH will again be ahead of its competitors when the next wave arrives.

### **Liquidity and financial resources**

#### *Net assets*

As at 30 June 2003, the Group recorded total assets of approximately HK\$318,126,000 which were financed by liabilities of approximately HK\$156,743,000 and equity of approximately HK\$158,891,000. The Group's net asset value as at 30 June 2003 decreased by 8% to approximately HK\$158,891,000 as compared to approximately HK\$172,542,000 as at 31 December 2002.

#### *Liquidity*

The Group had total cash and bank balances of approximately HK\$75,754,000 as at 30 June 2003 (As at 31 December 2002: approximately HK\$90,655,000). After deducting bank loans and overdrafts of approximately HK\$13,513,000 (As at 31 December 2002: approximately HK\$12,993,000), the Group recorded a net cash balance of approximately HK\$62,241,000 as compared to that of approximately HK\$77,662,000 as at 31 December 2002. As at 30 June 2003, the current ratio has been changed to 1.66 (As at 31 December 2002: 1.84) and the gearing ratio has been changed to 0.09 (As at 31 December 2002: 0.08) with equity being defined as the total of capital and reserves.

#### *Charge on assets*

As at 30 June 2003, fixed deposits of approximately HK\$21,066,000 (As at 31 December 2002: HK\$30,425,000) were pledged to banks to secure banking facilities granted.

#### *Treasury policies*

The Group generally finance its operations with internally generated resources and credit facilities provided by banks in Hong Kong. Subsidiaries in PRC use short-term borrowing in PRC to finance working capital, which amount to HK\$12,000,000. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts and term loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate. Both bank deposits and borrowings are mainly in Hong Kong dollars and United States dollars ("US dollars").

### **Contingent liabilities**

As at 30 June 2003, the Company had contingent liabilities in relation to bills discounted to bank with recourse and guarantees in respect of performance bonds in favour of contract customers amounted to HK\$8,500,000 and HK\$4,600,000 respectively.

### **Foreign exchange exposure**

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group's is minimal as long as the policy of the Government of HKSAR to link the Hong Kong dollars to the US dollars remains in effect.

### **Subsequent event**

As at 12 September 2003, a bank loan agreement to the extent of RMB24,300,000 is signed by a subsidiary with bank and secured by the pledge of a related company's time deposits amounted to RMB27,000,000.

### **Employee and remuneration policies**

As at 30 June 2003, the Group employed approximately 330 full time staff in the Mainland China and Hong Kong. The Group remunerates its employees based on their performance, work experience and the prevailing market price. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

### **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 2003.

### **REVIEW BY AUDIT COMMITTEE**

The interim results have been reviewed by the Audit Committee.

### **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied 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, throughout the accounting period covered by this interim report, except that the non-executive directors of the Company were not appointed for specific terms but were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws. The company established an audit committee in 1999, which comprises two independent non-executive directors, in accordance with paragraph 14 of the Code of Best Practice. The audit committee meets regularly mainly to consider the nature and scope of audit reviews, the effectiveness of the Company's internal control systems and compliance with the relevant rules and regulations.

### **PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

Information that is required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the web-site of the Stock Exchange of Hong Kong Limited in due course.

### **Appreciation**

The Directors are thankful to TVH's business and technology partners, as well as its shareholders and dedicated staff, for their support in achieving the Group's turnaround.

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

Hong Kong, 23 September 2003