TECHNOLOGY VENTURE HOLDINGS LIMITED

（宏昌科技集團有限公司）*

(incorporated in Bermuda with limited liability)

(Stock code: 61)

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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 2004 together with comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2004	**2003**
		(unaudited)	**(unaudited)**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*2*	104,362	75,222
Cost of sales		(90,535)	(64,095)
Gross profit		13,827	11,127
Other income		658	370
Selling and distribution expenses		(4,440)	(3,140)
Administrative expenses		(19,839)	(21,006)
Other operating expenses		(241)	(3,069)
LOSS FROM OPERATING ACTIVITIES	*3*	(10,035)	(15,718)
Finance costs		(88)	(468)
LOSS BEFORE TAX		(10,123)	(16,186)
Tax	*4*	153	(887)
LOSS BEFORE MINORITY INTERESTS		(9,970)	(17,073)
Minority interests		813	3,418
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(9,157)	(13,655)
Dividends	*5*	–	–
DEFICIT FOR THE PERIOD		(9,157)	(13,655)
LOSS PER SHARE	*6*		
Basic (HK cents)		HK(1.82) ¢	HK(2.72) ¢
Diluted (HK cents)		N/A	N/A

* *for identification only*

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 Institute of Certified Public Accountants. The unaudited interim financial statements has been prepared on a basis consistent with the principal accounting policies adopted in the 2003 annual report.

2. Segment Information

(a) Business segments

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

	Banking and finance systems integration services 2004 *HK$'000*	**Software solution for banks and public sector 2004** *HK$'000*	**Eliminations 2004** *HK$'000*	**Consolidated 2004** *HK$'000*
Segment revenue:				
Sales to external customers	42,726	61,636	–	104,362
Intersegment sales	–	726	(726)	–
Interest income	5	183	–	188
Other income	178	–	–	178
Total	42,909	62,545	(726)	104,728
Segment results	898	(2,099)	–	(1,201)
Unallocated interest income				228
Unallocated gains				64
Unallocated expenses				(9,126)
Loss from operating activities				(10,035)

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

(b) Geographical segments

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

	Hong Kong 2004 *HK$'000*	**Elsewhere in the PRC 2004** *HK$'000*	**Eliminations 2004** *HK$'000*	**Consolidated 2004** *HK$'000*
Segment revenue:				
Sales to external customers	418	103,944	–	104,362
Intersegment sales	–	–	–	–
	418	103,944	–	104,362
Segment results**	(8,453)	(1,582)	–	(10,035)

	Hong Kong 2003 HK$'000	Elsewhere in the PRC 2003 HK$'000	Eliminations 2003 HK$'000	Consolidated 2003 HK$'000
Segment revenue:				
Sales to external customers	2,797	72,425	–	75,222
Intersegment sales	–	–	–	–
	2,797	72,425	–	75,222
Segment results**	(7,947)	(7,771)	–	(15,718)

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

3. **Loss from operating activities**

The Group's loss from operating activities is arrived at after charging:

	Six months ended 30 June 2004 HK$'000	2003 HK$'000
Cost of goods sold	90,535	64,095
Depreciation	1,355	2,010
Amortization of deferred development costs	439	49

4. **Tax**

	Six months ended 30 June 2004 HK$'000	2003 HK$'000
Hong Kong		
– overprovision in previous years	153	–
Elsewhere		
– current period	–	(887)
Tax credit/(charge) for the period	153	(887)

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 (2003: Nil). 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 2004 (2003: Nil).

6. **Loss per share**

The calculation of the basic loss per share for the six months ended 30 June 2004 is based on the unaudited consolidated loss attributable to shareholders of approximately HK$9,157,000 (2003: Loss HK$13,655,000) and on the weighted average of 502,136,677 (2003: 501,209,644) ordinary shares in issue during the period.

Diluted loss per share amount for periods ended 30 June 2004 and 2003 have not been disclosed as the share option outstanding during these periods have an anti-dilutive effect on the basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's financial performance in the first half of 2004 was most encouraging, buoyed by the remarkable improvements in the business operations of TopAsia and ADT.

Turnover for the Group grew 39% to HK$104,362,000 from HK$75,222,000 in the corresponding period in 2003.

Gross profit increased 24% to HK$13,827,000 from HK$11,127,000 in the first half of 2003 as a result of higher turnover achieved during the period, but gross profit margin was further narrowed to 13% from 15% in 2003 because of fierce competition in the China market.

Loss attributable to shareholders continued to reduce significantly by 33% to HK$9,157,000 from HK$13,655,000 in the same period of 2003, reflecting the diminished amount of provisions made compared with the previous period.

Business Review

IT solutions and systems integration: TopAsia

Active business developments marked the performance of TopAsia during the first half of the 2004 financial year. The provision of maintenance services to self-service banking products, primarily automated teller machines (ATM), continued to be a significant growth driver.

TopAsia achieved stable growth in the provision of ATM repair and maintenance services to Bank of China (BOC) and the Postal Administration of China. The division's established competitive strengths, notably its comprehensive point-of-service network, considerable track record and prompt feedback, have facilitated strategic market development, including the unprecedented successful tender wins for nearly 400 ATM machines at BOC branches in Henan, Chongqing and Zhejiang.

In the annual tender of the China Merchants Bank (CMB), TopAsia secured five of its nine procurement projects covering ATMs, cash deposit machines (CDM) and self-service enquiry machines – and two agency rights for Diebold ATM and CDM, thus retaining its status as the leading service provider and sales agent for CMB's self-service banking centre products.

In addition, TopAsia has renewed all the expired maintenance service contracts previously held by Sequent China before amalgamation. Major clients continued to be reputable financial institutions, primarily BOC, China Construction Bank (CCB), City Commercial Bank and Postal Administration of China, and the division will seek further profit growth by actively clinching more service contracts.

Through sheer technical prowess, TopAsia became the biggest winner in the ATM networked software development project for the Postal Administration of China. The division secured the largest number of orders through winning the tenders in Anhui, Hubei, Hunan, Shaanxi and Zhejiang.

On the system integration front, TopAsia participated in the implementation of the border control monitoring system for the Public Security Department and successfully completed the first pilot at the Beijing Capital International Airport. The division succeeded in overcoming various technical obstacles and the pilot scheme is very close to a satisfactory handover.

Data integration is a new area of tremendous growth potential for TopAsia. The division completed a data integration project for Nanyang Brothers Tobacco (Hong Kong) with remarkable benefits to the client, and the development of data integration procedures for Shanghai Census and Statistics Bureau also passed professional examination.

TopAsia was also pleased to report that it had obtained a RMB14 – million contract for the provision of peripheral services to Little Smart (or Xiaolingtong) and multi-media workstations, invented and operated by China's renowned IT practitioner UTStarcom.

In line with TVH's strategy in developing online education platform, TopAsia continues to empower its software capabilities for China's education portal for primary and secondary school teachers.

Software: Advanced Digital Technology

The Group's software vehicle, 55%-owned Advanced Digital Technology (ADT), was once again named one of China's top 100 software companies in 2004 by the Ministry of Information Industry (MII). On top of that, 電腦商報 Computer Partner World has ranked ADT one of the top 100 solution providers among the leading 500 computer companies in China. The division also passed the ISO9000 review (once every three years) and received favorable evaluation from industry professionals.

ADT has succeeded in strategizing its product and services offerings into three major lines – software development and productization, network systems and mainframe systems – for more focused and niche market development. As ADT is one of the six designated service providers of integrated data networks for CCB, the division secured business orders from seven of 14 top-line bank branches during the first half of the financial year.

In addition, ADT has won the CCB tender for the implementation of a data archive management system, making the division the sole partner to CCB in this project and the service marketer to all of its 39 branches nationwide. The breakthrough development has further reinforced ADT's reputation as a professional solution provider with advanced capability to digitalize financial information, and helps open up tremendous new business opportunities.

Being one of the selected five network service providers to Industrial and Commercial Bank of China (ICBC), ADT will continue to provide high-quality network maintenance services to a portfolio of 15 provincial branches. As a Gold Partner awarded by CISCO in June, ADT is able to design more sophisticated network solutions to meet specific customer needs.

ADT will continue to strengthen cooperation with Microsoft in software development to expand its solution offerings to meet specific customer needs. The sophisticated AD catalogue project that ADT developed for ICBC in conjunction with Microsoft was presented with a major Microsoft award. In fact, it was the only China-based project that has received this recognition.

Online education through ChinaCast

ChinaCast, a provider of satellite-based broadband Internet solutions to educational institutions, government agencies, enterprises and multi-national companies in China, continued to be the Group's strategic platform for serving the education and training service markets in China, with the technological support of other TVH units. The Singapore-listed company reported a 67% jump in net profit for the three months ended 30 June 2004 to RMB9.4 million compared to the RMB5.6 million recorded in the same period in 2003. For the six-month period to 30 June 2004, net profit jumped 74% to RMB18.1 million up from the RMB10.4 million recorded in the previous corresponding period.

ChinaCast's strong performance was driven by significant improvements in revenue from the university distance learning segment, which saw an increase in student enrolment by approximately 51% to 71,000 at 30 June 2004 from 47,000 a year ago.

While ChinaCast's K-12 distance learning and educational content solutions segment continues to be the major revenue contributor, it is nevertheless a relatively established and mature segment for ChinaCast. The company therefore plans to devote more of its effort to grow its university distance learning solutions segment, and to strengthen its leading position in China's tertiary education market as there are still a number of universities licensed to conduct distance-learning courses but have yet to roll out their programmes. In addition to seven existing universities, three more universities that have signed up previously are in the student enrolment phase.

ChinaCast also plans to focus on its newly established enterprise networking products and services segment by targeting larger enterprises in China, which typically require point to multi-point broadband access so as to effectively transmit data throughout various parts of the country.

ChinaCast's first contract in the enterprise segment was concluded with Tai Kang Life Insurance Co. Ltd., one of China's six national life insurers. Pursuant to the contract, ChinaCast is to provide satellite and Internet-based distance learning solutions to Tai Kang Life Insurance employees throughout China. The project is progressing well and expects to be operational in the third quarter of this year. This contract marks the division's entry into the enterprise networking sector and will facilitate efforts to penetrate and target other insurance and banking customers.

ChinaCast is currently in discussion with a few potential customers and two to three major customers are expected by the end of the year.

To meet the expected increase in customers and their requirements, ChinaCast is currently expanding its Network Operations Centre in Beijing and upgrading its DirecWay satellite hub to enable higher speed, two-way broadband satellite services and to meet the fast growing demands of its education and enterprise customers in China. This system expansion and upgrade will be important for the full commercial launch of the ChinaCast's managed IP, VPN, corporate training, business TV and voice over IP services, scheduled to be introduced at the end of the year. It is also beefing up its sales, marketing and after sales staff to maintain high quality customer support.

Outlook

Looking ahead, TopAsia will continue to sustain its business development momentum to achieve greater growth. At the same time, it will control costs to raise profitability and to meet the designated performance target for the year.

To further enhance its business acumen, TopAsia will consolidate the existing clientele and sustain service quality at the highest professional standards. The division will increase the offering of its maintenance services to a broader range of self-service products and brands in China. In August, TopAsia signed an agreement with KEBA, a world-renowned Austria-based CDM manufacturer, in which TopAsia was authorized to provide after-sales installation and maintenance services to KEBA CDMs operated by all branches of CMB in the Mainland.

TopAsia is also actively crystallizing its expansion strategies to encompass more markets and customers. The division expects to secure a system integration project for a new airport and an ATM surveillance project in Hunan Province.

Meanwhile, TopAsia will also step up its data integration business that has proved to be an area of tremendous potential. Joint efforts will Ascential will focus on strengthening the sales and development activities of ETL products with the goal of spearheading into the manufacturing, securities, financial and public utility sectors. The cooperation with EMC will steer towards the application of large-capacity data storage systems and contingency back-up systems for financial and securities industries.

Last but not least, TopAsia will bolster its cooperation with UTStarcom to seize business development opportunities in multi-media development, and provide a larger variety of peripherals and products. The goal is to attain RMB40 million of orders this year.

Another key growth driver of the Group, ADT expects the authorized service provider status with ICBC and CCB to continue to bring in new business opportunities. As ICBC reduces the number of its designated network integration service providers, ADT is strategically poised as an established major partner to secure a larger share of the business.

CCB is actively pursuing network integration and the process presents to ADT considerable opportunities in securing more business in data transformation, front-end systems, data interface and other advanced features. ADT plans to capitalize on this development to broaden its business ties with CCB. On the other hand, the division will continue its software development efforts, especially in cooperation with Microsoft that will further facilitate the offering of customer-specific solutions.

Blessed with the widely recognized technical expertise and an established presence in China, ADT believes that it has an important role to play as a technical support centre for imported technology products. The division is working towards such representation for a couple of products.

ADT will also further enhance its relationship with CISCO. Already a Silver Partner to CISCO, ADT was further awarded Gold Partnership by the vendor in June 2004. The division is also gearing to become a certified system integrator from the MII in the second half of the financial year.

In respect of ChinaCast, it will continue to grow its university distance learning solutions segment and expand its newly established enterprise networking products and services segment to target at larger enterprises in China.

Liquidity and financial resources

Net assets

As at 30 June 2004, the Group recorded total assets of approximately HK$360,847,000 which were financed by liabilities of approximately HK$205,759,000 and equity of approximately HK$148,370,000. The Group's net asset value as at 30 June 2004 decreased by 6% to approximately HK$148,370,000 as compared to approximately HK$157,173,000 as at 31 December 2003.

Liquidity
The Group had total cash and bank balances of approximately HK$49,410,000 as at 30 June 2004 (As at 31 December 2003: approximately HK$108,303,000) whereas bank loans and overdrafts of approximately HK$49,829,000 (As at 31 December 2003: approximately HK$39,339,000). As at 30 June 2004, the current ratio has been changed to 1.33 (As at 31 December 2003: 1.37) and the gearing ratio has been changed to 0.34 (As at 31 December 2003: 0.26) with equity being defined as the total of capital and reserves.

Charge on assets
As at 30 June 2004, fixed deposits of approximately HK$5,138,000 (As at 31 December 2003: HK$16,470,000) 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$49,811,000. 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 Ren Min Bin.

Contingent liabilities
As at 30 June 2004, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong employment Ordinance, with a maximum possible amount of HK$445,000 (At 31 December 2003: HK$890,000). The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

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.

Post balance sheet event
In September 2004, the Group obtained a bank loan facility to the extent of RMB20 million for one year which is secured by (i) a subsidiary's trade receivables and; (ii) assets provided by the subsidiary's senior management without limit. On 9 September 2004, RMB10 million has been utilised.

Employee and remuneration policies
As at 30 June 2004, the Group employed approximately 344 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 2004.

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. 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

On behalf of the Directors, I would like to take this opportunity to thank our shareholders for their support and our staff for their hard work and achievements during the year. Their dedication empowers TVH to accomplish greater success in the coming year and beyond.

By order of the Board
Chan Tze Ngon
Chairman

Hong Kong, 17 September 2004

As at the date of this announcement, Mr. Chan Tze Ngon, Mr. Emmy Wu, Mr. Tang Kin Hung and Mr. Chow Siu Lam, Cliff are the Executive Directors of the Company, Dr. Lo Siew Kiong, John and Mr. Fu Yan Yan are the Independent Non-executive Directors of the Company.