



## 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>*

### FINAL RESULTS ANNOUNCEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2001

#### RESULTS

The directors (the “Directors”) of Technology Venture Holdings Limited (the “Company”) announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2001 together with comparative figures for the corresponding period in 2000 as follows:

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2001	2000
	<i>Notes</i> <b>HK\$'000</b>	<i>HK\$'000</i>
TURNOVER	1 <b>576,387</b>	417,247
Cost of sales	<b><u>(485,653)</u></b>	<u>(316,198)</u>
Gross profit	<b>90,734</b>	101,049
Other income	<b>5,465</b>	8,839
Selling and distribution expenses	<b>(47,842)</b>	(20,449)
Administrative expenses	<b>(89,039)</b>	(62,759)
Other operating expenses	<b><u>(41,417)</u></b>	<u>(5,427)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<b>(82,099)</b>	21,253
Finance costs	<b><u>(2,224)</u></b>	<u>(541)</u>

PROFIT/(LOSS) BEFORE TAX		<b>(84,323)</b>	20,712
Tax	2	<b><u>(333)</u></b>	<u>(871)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<b>(84,656)</b>	19,841
Minority interests		<b><u>(4,152)</u></b>	<u>(1,628)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>(88,808)</b>	18,213
Dividends		=	<u>(6,640)</u>
RETAINED PROFIT/(ACCUMULATED LOSS) FOR THE YEAR		<b><u>(88,808)</u></b>	<u>11,573</u>
EARNINGS/(LOSS) PER SHARE	3		
Basic		<b><u>HK\$(0.25)</u></b>	<u>HK\$0.06</u>
Diluted		<b><u>N/A</u></b>	<u>HK\$0.05</u>

Notes:

## 1. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts and services rendered. All significant intra-Group transactions have been eliminated on consolidation.

## 2. TAXATION

	Year ended 31 December	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,276	472
Elsewhere	(1,865)	999
Deferred	<b><u>(78)</u></b>	<u>(600)</u>
	<b><u>333</u></b>	<u>871</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable 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.

### **3. EARNINGS/(LOSS) PER SHARE**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the years of HK\$88,808,000 (2000: net profit of HK\$18,213,000) and the weighted average of 362,000,000 (2000: 330,180,328) ordinary shares in issue during the year.

A diluted loss per share for the year ended 31 December 2001 has not been disclosed as the share options outstanding during the year has an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2000 was based on the net profit from ordinary activities attributable to shareholders for that year of HK\$18,213,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was 331,780,035 which included 330,180,328 ordinary shares in issue during the year ended 31 December 2000 as used in the basic earnings per share calculation, and the weighted average of 1,599,707 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

#### 4. SEGMENTAL INFORMATION

The revenue, profit/(loss) for the Group's business segments are as follows:

(a) *Business segments*

	<b>Banking and finance systems integration services 2001 HK\$'000</b>	<b>Software solution for banks and public sectors 2001 HK\$'000</b>	<b>Broadband Internet equipments, network security software and business software systems 2001 HK\$'000</b>	<b>Eliminations 2001 HK\$'000</b>	<b>Consolidated 2001 HK\$'000</b>
Segment revenue:					
Sales to external customers	325,517	123,167	127,703	—	576,387
Intersegment sales	99	1,437	6,388	(7,924)	—
Interest Income	964	442	583	—	1,989
Other income	<u>2,014</u>	<u>183</u>	<u>216</u>	=	<u>2,413</u>
Total	<u>328,594</u>	<u>125,229</u>	<u>134,890</u>	<u>(7,924)</u>	<u>580,789</u>
Segment results	<u>(37,413)</u>	<u>(11,592)</u>	<u>4,855</u>	=	<u>(44,150)</u>
Unallocated interest income					820
Unallocated gains					243
Unallocated expenses					<u>(39,012)</u>
Loss from operating activities					<u>(82,099)</u>
Finance costs					<u>(2,224)</u>
Loss before tax					<u>(84,323)</u>
	Banking and finance systems	Software solution for banks and public	Broadband Internet equipments,	Eliminations	Consolidated

	integration services	sector	network security software and business software systems		
	2000	2000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	362,107	55,140	—	—	417,247
Intersegment sales	7,618	1,513	—	(9,131)	—
Interest income	1,526	127	—	—	1,653
Other income	<u>2,131</u>	<u>26</u>	<u>—</u>	<u>—</u>	<u>2,157</u>
Total	<u>373,382</u>	<u>56,806</u>	<u>—</u>	<u>(9,131)</u>	<u>421,057</u>
Segment results	<u>53,429</u>	<u>2,187</u>	<u>—</u>	<u>—</u>	<u>55,616</u>
Unallocated interest income					4,446
Unallocated gains					583
Unallocated expenses					<u>(39,392)</u>
Profit from operating activities					21,253
Finance costs					<u>(541)</u>
Profit before tax					<u>20,712</u>

(b) *Geographical segment*

		Elsewhere	Asia Pacific		
	Hong Kong	in the PRC	other than	Eliminations	Consolidated
	2001	2001	the PRC	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	40,960	521,809	13,618	—	576,387
Intersegment sales	<u>6,760</u>	<u>99</u>	<u>709</u>	<u>(7,568)</u>	<u>—</u>
	<u>47,720</u>	<u>521,908</u>	<u>14,327</u>	<u>(7,568)</u>	<u>576,387</u>
Segment results	<u>(32,766)</u>	<u>(49,851)</u>	<u>518</u>	<u>—</u>	<u>(82,099)</u>

	<b>Hong Kong</b>	<b>Elsewhere in the PRC</b>	<b>Asia Pacific other than the PRC</b>			<b>Eliminations</b>	<b>Consolidated</b>
	2000	2000	2000	2000	2000	2000	2000
	<i>HK\$'000</i>	<i>HK\$'000</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	40,721	376,526	—	—	—	—	417,247
Intersegment sales	<u>106</u>	<u>7,618</u>	<u>—</u>	<u>(7,724)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>40,827</u>	<u>384,144</u>	<u>—</u>	<u>(7,724)</u>	<u>—</u>	<u>—</u>	<u>417,247</u>
Segment results	<u>(8,215)</u>	<u>29,468</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,253</u>

## 5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs of inventories sold and services provided	<b>485,653</b>	316,198
Depreciation	<b>8,327</b>	4,895
Amortisation of goodwill	<b>7,537</b>	—
Provision for doubtful debts	<b>33,880</b>	—

### FINAL DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2001 (2000: Hong Kong 0.5 cents).

### REVIEW OF PERFORMANCE

In 2001, the Group's turnover has increased 38% year on year to HK\$576,387,000 (2000: HK\$417,247,000). This is driven mainly by contributions from newly acquired subsidiaries, ADT and DMX Technologies.

During the course of the year, the Group pursued a series of consolidation and rationalization measures and made a general provision of HK\$33,880,000 for outstanding receivables. In a competitive struggle to win limited, available business during the year, the overall hardware gross margins declined. Together, these factors have contributed to a loss attributable to shareholders of HK\$88,808,000 compared to a profit of HK\$18,213,000 in 2000.

### BUSINESS REVIEW AND OUTLOOK

#### TVH

Technology Venture Holdings (TVH) continued to dedicate itself to identifying, mastering and bringing advanced information technology from all parts of the world to Asia, especially China, for customized applications. TVH aspires to be a catalyst to facilitate the development of digital Asia by serving as a value-added bridge of advanced technology from developed economies and e-solutions demands among enterprises in Asia. Established by a group of visionary techno-entrepreneurs, TVH has been building success on providing niche solutions to niche markets — primarily the banking and telecoms sectors in China.

The formative years of TVH saw the Group establish a spectrum of core businesses that specialize in different facets of the banking and telecoms sectors, and achieve significant mileages in expanding geographical coverage in Asia and beyond. And now, the Group has entered into the next development phase to create, strengthen and maximize synergy among all business units. In 2002, we will see closer co-operation and more integrated initiatives among our core businesses in active pursuit of growth opportunities.

Looking back at 2001, the information technology sector continued to be in the doldrums. The 911-triggered global economic recession further exacerbated the slowdown in the industry, brought on by the demise of the “dotcom” phenomenon in 2000. The repercussion on the IT sector was evident with heightened competition and slimmer profit margins. Every facet of the private sector felt the impact and this time, it led to a squeeze on public spending. In fact, it is fair to say that the operating environment for TVH and fellow practitioners in 2001 was worse than that of 2000.

Against such difficult backdrop, TVH pursued a series of consolidation and rationalization measures to improve its operating efficiency and enhance profitability. The streamlined TVH achieved the cost-cut targets set for itself in the beginning of 2001, and was able to control operating losses in the second half of 2001 with a near break-even status.

TVH also made a general provision of HK\$33,880,000 for outstanding receivables. We believe that no further provisions would be necessary for the coming years, and this improved financial status would help facilitate our continued efforts to build and strengthen our three flagship business units — Sequent China/Topasia, ADT and DMX Technologies — into leaders in their respective industries.

Optimizing synergies among all business units and maximizing values for our shareholders underpin the essence of our business strategy in 2002. Through acquisitions in the past couple of years, TVH now has three core businesses, each of which has the potential of becoming fully-fledged operations of its own right. The focus now is to maximize respective business development potential and optimize overall synergistic value with the strategic management input of TVH.

Looking forward, TVH remains committed to bringing to customers in Asia advanced technologies from developed economies, and expanding its operation from Hong Kong to other parts of Asia. We take pride in being a niche IT company providing niche products and services to meet customer needs.

We are cautiously optimistic as to the outlook of our operating environment in 2002. Though there are signs of an economic recovery in the US, it remains unknown as to the sustainability and extent of this rebound. Nevertheless, it is our goal to return to profitability in 2002 with stringent cost control measures across the board, including the lowering of per head expenditure at the head office.



## **Sequent China**

The Group's mainframe systems-integration business, operated under Sequent China, has been undergoing a restructuring and re-positioning process since Sequent's acquisition by IBM towards the end of 1999. Last year saw the company's operation significantly scaled down while it focused on sprucing the internal structure, re-examining the composition and synergistic value of its product portfolio, and preparing itself for new IBM product launches.

Apart from successfully trimming down its operating overheads, Sequent China's 2001 accomplishments were highlighted by a strategic adjustment of its previous product-driven business focus to the provision of technical support and maintenance services. Geared towards expanding revenue sources, the move also led to closer collaboration with another business unit of the Group, Topasia, which specializes in the provision of peripherals systems-integration services to financial institutions and telecoms operators in China. We envisage significant synergy arising from tighter co-operation between Sequent China and Topasia.

A major objective of Sequent China in 2002 is to provide existing clients with value-added products of higher margin and to enlarge its customer base. While maintaining a reseller relationship with IBM, Sequent China has been exploring new niche products to increase the computing power of its existing and prospective customers in China's banking and finance sector. One of the niche products is the new-generation file caching storage products — Solid State Disc — which further enriches the company's capability to provide data centers with comprehensive solutions. It also broadened its distributor relationships with other world-renowned vendors, including EMC, HDS, StorageTek, Computer Associates, EPI and Oracle.

## **Topasia**

The Group's peripherals systems-integration business, operated under Topasia, was a major growth driver and a considerable income contributor in 2001. Market penetration efforts into China's automatic teller machines (ATM) market were paid off as the company had been confirmed as the third largest NCR ATM integrators in China, up two notches from the previous year.

Topasia currently operates 20 maintenance points in different parts of China and will continue to expand the network for the provision of enhanced customer services. It is envisaged that this comprehensive network will be further upgraded to serve as the integrated support hub for all business units of the Group.

Topasia continues to work towards its ultimate goal of becoming the leading ATM systems integrator in China, but the more immediate 2002 objective is to improve profitability. To achieve this goal, the company will strive to lower operating costs to the extent that its maintenance revenue would be sufficient to cover all expenditures, hence all new sales would become gross profit.

## **Topsoft**

Topsoft continued to provide enterprise e-commerce solutions, and information enabling services to the public sector. It secured more contracts with the Hong Kong SAR Government in 2001 than in previous years and, at the same time, recorded a steadily growing stream of recurrent business from existing customers. As the HKSAR Government plans to step up its outsourcing activities in 2002, Topsoft is poised to gain from such development, as it is one of the very few services providers with ISO9001 certification in application design and development.

Topsoft will also seek to strengthen its capabilities through strategic collaboration with DMX Technologies, the Group's flagship networking solutions provider, in vying for projects of larger scale.

## **ADT**

Advanced Digital Technology (ADT) is the Group's flagship provider of advanced systems-integration and software solutions to banks and financial institutions in China. It achieved most of its profit target in its first full-year operation as a 55% subsidiary of TVH in 2001. The acquisition of ADT in 2000 has made TVH the owner and operator of one of the largest and most experienced banking and finance systems-integration teams in China. The company was accredited with ISO9000 quality assurance certificate in 2001.

ADT reported encouraging progress in business developments. It secured three major network integration and customer relations management contracts of an aggregate value of some RMB 64 million with banks in China. It also successfully developed and registered 16 new software products targeted at banks and the public sector in China.

As China enters the World Trade Organization, the banking and finance sector needs to increase IT investments for the implementation of international operating modules such as risk management and portfolio management. This is set to benefit ADT, a systems-integration leader in the banking and finance industry in China.

To further broaden its revenue base, ADT will continue to widen its market focus to non-finance sectors and build relationships with international software developers and product manufacturers. We expect that ADT will be a major revenue contributor to the Group in 2002.

## **DMX Technologies**

TVH completed the acquisition of a 51% equity interest in DMX Technologies (formerly Skynet Consultants Company Limited) in January 2001. DMX Technologies aspires to be more than a networking solutions provider. It sees itself as a new breed of systems architect that helps shape the digital economy of Asia, transform its telecoms infrastructure into Internet-based architecture, and facilitate the migration of enterprises into the digital world. DMX Technologies specializes in offering broadband network infrastructure, network security and e-business solutions.

To complement its solution offerings, DMX Technologies has already signed up with a number of vendors in the development of secure network solutions, multi-media streaming and other content distribution solutions, as well as access solutions with copper technologies.

In 2001, DMX Technologies achieved solid progress in extending its geographical reach to China — six offices in Beijing, Guangzhou, Fuzhou, Hangzhou, Shanghai and Xian — and Malaysia. It is also looking into expanding its operation in Singapore and exploring new opportunities in South Korea and Thailand.

Both ADT and DMX Technologies are relatively new members of TVH, and it is our goal to integrate the management of both companies more closely into the TVH family.

## **ChinaCast**

We are pleased to report that ChinaCast Technology, in which the Group holds a 19.9% interest, has already become the largest provider of satellite-based distance learning services in China. Committed to the ongoing evolution of Internet and broadband services in China, ChinaCast ingeniously identified and established a strong foothold in the niche customized education market.

ChinaCast provides distance learning services to universities and is also the largest content delivery service provider to primary and secondary schools in China. From initial efforts to integrate contents with the Ministry of Education, ChinaCast has already progressed to develop its own brand name content through the acquisition of Qingdao Qidi, a certification training institute, in 2001. Qingdao Qidi operates some more than 20 offline centres in China and there are plans to expand the network to 100 in 2002, further multiplying the accessibility of ChinaCast's niche educational content.

Another area of substantial growth potential is the provision of professional training to practitioners in need of recognized qualification, such as lawyers and paramedics. This will be pursued through close co-operation with the Ministry of Education. Apart from education, ChinaCast intends to explore applications in other niche industry segments for its Internet and broadband services.

## **Appreciation**

Finally, I would like to take this opportunity to extend my sincerest thanks to all our staff, our technology and business partners and our shareholders for their unwavering support over the year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Net assets**

As at 31 December 2001, the Group recorded total assets of approximately HK\$537,653,000 which were financed by liabilities of approximately HK\$239,834,000 and equity of approximately HK\$245,747,000. The Group's net asset value as at 31 December 2001 decreased by 27% to approximately HK\$245,747,000 as compared to approximately HK\$338,852,000 (restated) as at 31 December 2000.

### **Liquidity**

The Group had total cash and bank balances of approximately HK\$129,045,000 as at 31 December 2001 (2000: approximately HK\$146,454,000). After deducting bank loans and overdrafts of approximately HK\$36,917,000 (2000: approximately HK\$12,498,000), the Group recorded a net cash balance of approximately HK\$92,128,000 as compared to that of approximately HK\$133,956,000 as at 31 December 2000. As at 31 December 2001, the current ratio has been changed to 1.67 (2000: 2.95 restated) and the gearing ratio has been changed to 0.15 (2000: 0.04) with equity being defined as the total of capital and reserves.

### **Charges on assets**

At 31 December 2001, fixed deposits of approximately HK\$31,936,000 (2000: HK\$15,885,000) were pledged to banks to secure banking facilities granted.

### **Treasury policies**

The Group generally finances 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\$10 million. 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**

At 31 December 2001, the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$31.2 million and guarantees in respect of finance lease facilities granted to certain directors of the company amounting to approximately HK\$0.3 million.

## **Foreign Exchange Exposure**

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group 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.

## **Employee and remuneration policies**

As at 31 December 2001, the Group employed approximately 530 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.

## **APPLICATION OF PROCEEDS**

In September 2000, the Company received net proceeds of approximately HK\$108 million through a placement to institutional and professional investors (the “third placement”). As at 25 April 2001, the Group has utilized approximately HK\$40 million for expansion of the systems integration business in China; approximately HK\$4 million for the expansion of the software training business; and approximately HK\$58 million as working capital of the Group. As of today, the Group has utilized the remaining balance of proceeds as working capital.

## **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 year ended 31 December 2001.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2001 in compliance with the Code of

Best Practice as set out in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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 “Committee”) on 12 June 1999 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises the two independent non-executive Directors of the Company.

## **PUBLICATION OF ANNUAL RESULTS ON THE INTERNET**

### **WEBSITE OF THE STOCK EXCHANGE**

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 19 April 2002

*\*for identification only*