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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Techwayson Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TECHWAYSON HOLDINGS LIMITED

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

**DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY**

Financial Adviser



CENTURION CORPORATE FINANCE LIMITED

* *for identification purposes only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	Techwayson Holdings Limited, whose shares are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Export Services”	means the marketing, sales and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia
“Export Supply Agreement”	the export supply agreement entered into on 17 July 2006 between Now Gain and STUT
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Orient Metro Limited, a private limited company incorporated in the British Virgin Islands which is owned as to 25% by Magic Gain and 75% by New Elite
“JV Group”	JV Company and its subsidiaries, namely PT Orient Metro and Now Gain
“Latest Practicable Date”	10 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magic Gain”	Magic Gain Investments Limited, a private limited company incorporated in the British Virgin Islands whose issued shares are owned as to 100% by the Company

DEFINITIONS

“New Elite”	New Elite Holdings Limited, a private company incorporated in the British Virgin Islands whose issued shares are beneficially owned as to 54% by Mr. Lau Wing Kin and as to 46% by Ms. Hwang Hei Yu, Stephanie
“Now Gain”	Now Gain Limited, a private limited company incorporated in the British Virgin Islands and has been established as a wholly-owned subsidiary of the JV Company under the Shareholders’ Agreement
“Products”	mined products such as iron ore, iron sands, coal and other natural mineral products
“PT Orient Metro”	PT Orient Metro Utama (or such other name to be registered and approved by the relevant Indonesian authority), a private company to be incorporated in the Republic of Indonesia as an approved Foreign Investment Company whose issued shares shall be held as to 95% by the JV Company and as to 5% by Mr. Jupyanto Setyawan under the Shareholders’ Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ and joint venture agreement entered into on 17 July 2006 between New Elite, Magic Gain, the JV Company, STUT, Ms. Hwang Hei Yu, Stephanie, Mr. Jupyanto Setyawan and Mr. Lau Wing Kin
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STUT”	PT Sel Teknik Utama Trading, a company incorporated in the Republic of Indonesia, whose registered office is at Jalan Raden Saleh No.25A, Surabaya, East Java, Republic of Indonesia, founded on 20 March 1989, currently holding a valid business licence and all necessary governmental corporate filings and is beneficially and wholly-owned by Mr. Jupyanto Setyawan

DEFINITIONS

“Technical Services”	means the provision of equipment, machinery, technical advice and supporting services for the purposes of excavating mines and the operation and management of mines
“Territories”	means British Virgin Islands, Hong Kong and the People’s Republic of China and such other areas (other than the Republic of Indonesia) as the parties to the Shareholders’ Agreement may agree in writing
“US\$”	United States Dollars, the lawful currency of United States of America
“%”	per cent.

LETTER FROM THE BOARD



TECHWAYSON HOLDINGS LIMITED

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

Executive Directors:

Dr. SZE Kwan (*Vice Chairman*)

Ms. CHAN Siu Chu, Debby

(*Chief Executive Officer*)

Mr. SIEK Fui

Mr. LIU Ping

Non-Executive Director:

Mr. Gerard J. MCMAHON (*Chairman*)

Independent Non-Executive Directors:

Mr. WEE Soon Chiang, Henny

Mr. WONG Kam Kau, Eddie

Mr. HUI Hung, Stephen

Registered Office:

Century Yard, Cricket Square

Hutchins Drive, PO Box 2681 GT

George Town, Grand Cayman

Cayman Islands, British West Indies

Head Office and Principal

Place of Business:

Suite 1304, 13th Floor

Great Eagle Center

23 Harbour Road

Wanchai,

Hong Kong

14 August 2006

To the Shareholders,

Dear Sirs,

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

The Company announced on 27 July 2006 that Magic Gain, a wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement and under which, Magic Gain agreed to take up 25% of the issued shares in the JV Company.

The Shareholders' Agreement stipulates that the JV Company shall establish two subsidiaries, namely PT Orient Metro and Now Gain, to provide Technical Services and Export Services respectively to, STUT, an Indonesian mining licence holder and with the consent of STUT, other Indonesian mining companies and/or mine owners. The establishment of Now

* for identification purposes only

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Gain as a subsidiary of JV Company has since been completed and the entering into of the Export Supply Agreement by Now Gain as set out in the aforesaid announcement and in this circular enables Now Gain to begin such Export Services. PT Orient Metro has not yet been established and consequently, PT Orient Metro has not yet entered into any binding contract in respect of the proposed Technical Services.

The authorised and issued capital of the JV Company is US\$50,000.00 divided into 50,000 ordinary shares of US\$1.00 each. Magic Gain has since subscribed 12,500 shares in the JV Company to hold a 25% equity interest. Magic Gain has also agreed to provide its pro rata share of additional funding of up to US\$1.5 million (25% of the total US\$6 million) as a shareholders' loan, for the purchase of vehicles, machinery, equipment, mining accessories and office equipment and for the working capital of the business of the JV Company and its subsidiaries.

Now Gain entered into the Export Supply Agreement which sets out the terms and conditions to which STUT has agreed to appoint Now Gain as its sole marketing, sale and export agent of the natural resources such as iron ore and iron sand from Indonesia to be supplied by STUT to Now Gain during the term of the Export Supply Agreement.

The entering into of the Shareholders' Agreement constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information on the Shareholders' Agreement and for reference only, the Export Supply Agreement and other information as set out in the Appendix to this circular.

THE SHAREHOLDERS' AGREEMENT

Date: 17 July 2006

Parties: New Elite, Magic Gain, the JV Company, STUT, Ms. Hwang Hei Yu, Stephanie, Mr. Lau Wing Kin and Mr. Jupyanto Setyawan

The Shareholders' Agreement sets out the terms and conditions on and subject to which the parties have agreed that the JV Company is to be capitalized and operated as a joint venture company. Pursuant to the Shareholders' Agreement, the JV Company shall establish one 95%-owned and one wholly-owned subsidiary, namely PT Orient Metro (to be owned as to 5% by Mr. Jupyanto Setyawan) and Now Gain respectively, which will provide, subject to the parties agreeing, Technical Services and, pursuant to the Export Supply Agreement, Export Services respectively to STUT and to, potentially, other Indonesian mining companies and/or mine owners.

It is expected that the proposed Technical Services will be provided in relation to an iron ore mine and an iron sand mine, the concession rights are respectively held by STUT and PT Antam Resourcindo (brief details of which are set out below under the section headed "**Business background**") but the JV Company will consider other mined products and/or locations as it goes forward. An application will be made by the JV Company to the relevant

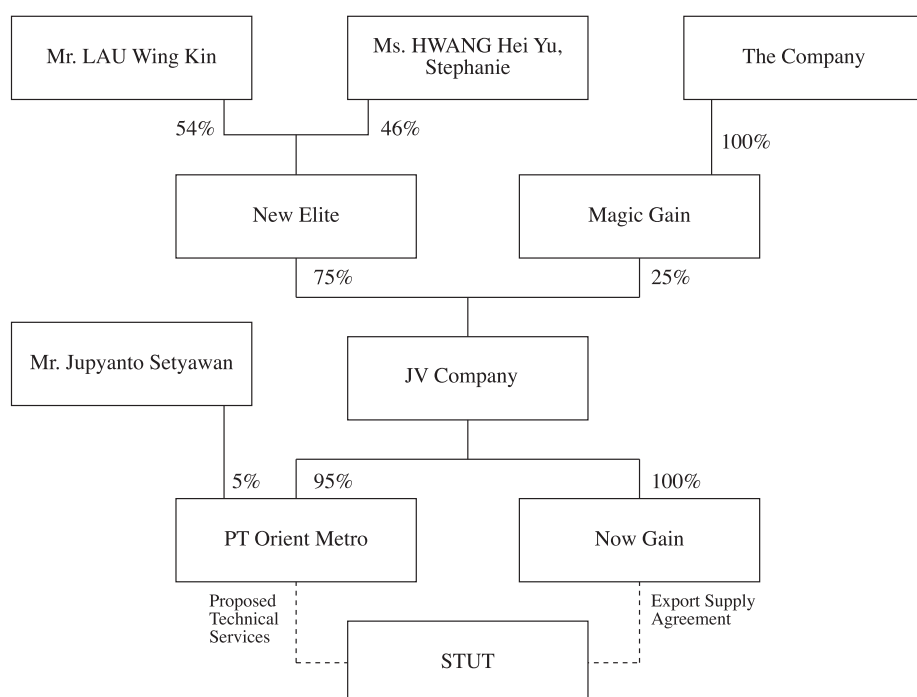
LETTER FROM THE BOARD

local authority for the registration and approval of PT Orient Metro (or such other name as available and approved by the relevant local authority) which will be owned as to 5% by Mr. Jupyanto Setyawan as a foreign investment company permitted to carry out the proposed Technical Services in Indonesia. The marketing and sales activities to be carried out by Now Gain shall be solely for the purpose of exporting the Products.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Mr. Jupyanto Setyawan, Mr. Lau Wing Kin, Ms. Hwang Hei Yu, Stephanie, New Elite, STUT, their respective beneficial owners (if applicable) and each of their respective associates is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Corporate chart of the JV Group

The following is a corporate chart of the JV Group and the shareholders of JV Company:



LETTER FROM THE BOARD

Principal terms of the Shareholders' Agreement:

Total investment amount

The authorised capital of the JV Company is US\$50,000.00 divided into 50,000 ordinary shares of US\$1.00 each. The issued share capital of the JV Company was 1 ordinary share of US\$1.00 each, which was registered and owned by the Company. As at the Latest Practicable Date and pursuant to the Shareholders' Agreement, the JV Company has issued and allotted new ordinary shares in the JV Company and after the following allotment of shares, the issued share capital of the JV Company has been increased from US\$1.00 to US\$50,000 and the shareholding structure is as follows:

Name of shareholders	No. of shares held after restructuring	% of shareholding	Amount of capital contribution
New Elite	37,500	75%	US\$37,500
Magic Gain**	12,500*	25%	US\$12,500
Total	<u>50,000</u>	<u>100%</u>	<u>US\$50,000</u>

Notes:

* One share of which was transferred from the Company

** Magic Gain is wholly-owned by the Company

The relevant capital contribution has been paid up by the shareholders which, under the Shareholders' Agreement, was required to be paid-up within 30 days of the execution of the Shareholders' Agreement.

The shareholders, namely New Elite and Magic Gain, also agreed to provide additional funding to the JV Company of up to US\$6 million as shareholders' loan in proportion to their respective shareholdings in the JV Company, from time to time, for the purchase of vehicles, machinery, equipment, mining accessories and office equipment and for the working capital of the business of the JV Group.

The aggregate value of the consideration paid-up as capital (US\$12,500) and payable as shareholders' loan(s) (maximum commitment of US\$1,500,000) by Magic Gain under the Shareholders' Agreement is thus US\$1,512,500, which will be funded from the internal resources of the Group. New Elite has paid-up its pro rata share of the capital contribution of the JV Company of US\$37,500 and will contribute the maximum commitment of shareholders' loan(s) of US\$4,500,000, under the Shareholders' Agreement.

LETTER FROM THE BOARD

Shareholders' Agreement in respect of management of the JV Company

The board of the JV Company shall consist of five directors and each of Magic Gain and New Elite may appoint two representatives to the board of directors of the JV Company and the remaining director shall be Mr. Jupyanto Setyawan, who shall also act as chairman of the board of directors of the JV Company. Mr. Jupyanto Setyawan is the beneficial owner of STUT. The board composition of PT Orient Metro and Now Gain shall be the same as those of the JV Company from time to time.

The decisions of the board of directors of the JV Company shall be made by a simple majority of votes cast by the directors. The Shareholders' Agreement also sets out certain matters which require unanimous consent of all members of the board of directors of the JV Company.

Other terms of the Shareholders' Agreement

The Shareholders' Agreement also sets out procedures for first rights of refusal and any transfer of shares in the JV Company, dividend and distribution of profits policy, non competition undertaking by the directors and shareholders of the JV Company and non assignment of the rights and obligations conferred by or set out in the Shareholders' Agreement.

Each of Mr. Lau Wing Kin and Ms. Hwang Hei Yu, Stephanie has given an undertaking to ensure the fulfillment of the obligations of New Elite under the Shareholders' Agreement.

Undertaking by Mr. Jupyanto Setyawan

Mr. Jupyanto Setyawan has given an undertaking to assist PT Orient Metro to obtain all necessary licences and approval from The Investment Coordinating Board (Badan Koordinasi Penanaman Modal), Jakarta, and relevant local authorities including but not limited to the proposed application for the establishment of the JV Company as an Indonesian Limited Liability Company with Foreign Investment Status in accordance with the Law No 1/1967, as amended (Foreign Investment Law) for the purpose of undertaking the Technical Services business. Consequently, Mr. Jupyanto Setyawan will assist PT Orient Metro to obtain the licences and approvals from the relevant local authorities for the purpose of undertaking the proposed Technical Services.

Business background

The JV Group's principal business is to carry on the businesses of the provision of Technical Services within Indonesia and of Export Services to the Territories. Whilst the JV Group may also engage in such other businesses permitted by the Memorandum and Articles of Association of the JV Company, the Company is not aware that the JV Group is contemplating any other businesses other than those set out herein.

LETTER FROM THE BOARD

Export Services are currently expected to be provided in relation to the following iron ore mine and iron sand mine:

1. *In respect of the iron ore mine:* in February 2006, STUT was awarded by the “Regent of Solok” (a regional authority in Indonesia) a decree regarding the mining rights granted under the Exploration Mining Attorney Assignment to allow STUT to carry out, among others, iron mineral exploration in an area of 600 ha in Air Dingin District, Lembah Gumanti, West Sumatra, Indonesia. The exploration risks in connection with this mine rests with STUT as the JV Group is concerned in the Export Supply Agreement with STUT. The JV Group has not entered into any agreement with STUT for the provision of the proposed Technical Services. The arrangements with STUT in respect of this iron mine presents the JV Group a good opportunity to commence the provision of Export Services, and pending the entering into of the relevant agreement, Technical Services.
2. *In respect of the iron sand mine:* on 28 June 2006, STUT entered into a contract of cooperation with PT Antam Resourcindo whereby the parties agreed to co-operate in the operation of an iron sand mine in Kutoarjo, Purworejo Regency, in Central Java Province, Indonesia which involves the mining, production and transportation of iron sand, the construction of mining facilities and the marketing and sale of the iron sand products. The concession rights for the mining and production of this iron sand mine are held by PT Antam Resourcindo, a wholly-owned subsidiary of PT Antam Tbk, a major mining company in Indonesia with its issued shares being traded on the Jakarta Stock Exchange and Australian Stock Exchange and majority of whose turnover comes from the export of mined products. For every metric tonne of mined iron sand exported and sold, STUT will have to pay under the contract to PT Antam Resourcindo a fixed percentage of the selling price or such amount as agreed between STUT and PT Antam Resourcindo from time to time. PT Antam Resourcindo is thus the holder of the concession rights and STUT provides the technical capabilities for the mining related activities and the network marketing services for iron sand.

STUT also intends to enter into a mining services agreement with PT Orient Metro under which PT Orient Metro is to provide Technical Services to STUT relating to the above two mines. As set out below, STUT has entered into the Export Supply Agreement with Now Gain under which Now Gain will provide Export Services to STUT relating to the export of the Products from the mines as described above. PT Antam Resourcindo and/or STUT, as concession rights grantees, will apply for, or procure the application for, the relevant export permit required under the Export Services.

LETTER FROM THE BOARD

EXPORT SUPPLY AGREEMENT

Date: 17 July 2006

Parties: Now Gain and STUT

The Export Supply Agreement sets out the terms and conditions upon which STUT has agreed to appoint Now Gain as its sole marketing, sale and export agent of the products to be supplied by STUT to Now Gain. With regard to the marketing and sale of the Products by Now Gain in Indonesia, it is understood that such marketing and sale activities shall be solely for the purpose of exporting the Products outside Indonesia during the duration of the Export Supply Agreement and initially, the People's Republic of China is the marketplace for such Products. For the avoidance of doubt, the entering into of the Export Supply Agreement does not constitute a discloseable transaction for the Company under the Listing Rules.

Principal terms of the Export Supply Agreement:

The Export Supply Agreement shall be effective from the date of signing and will continue for a fixed period of ten years and thereafter will continue from year to year unless terminated by at least twelve months' written notice by either party to the other.

Under the Export Supply Agreement, Now Gain will place purchase orders with STUT for quantities of the Products as and when required, and STUT shall accept the same, provided that all such orders will be placed so as to allow STUT at least 30 days for delivery. All such orders will be placed by Now Gain on the terms and conditions to be agreed separately for each contract shipment between the parties in writing, which shall govern and form part of every contract for the supply of the Products by STUT to Now Gain.

STUT will supply the Products at a price to be agreed between the parties for each contract and may be subject to variation in accordance with the prices traded on the international markets.

While the Export Supply Agreement is in force, Now Gain has given an undertaking not to purchase the Products from any person other than STUT or to enter into any other contracts with any other third parties directly or indirectly, unless otherwise agreed by parties to the Export Supply Agreement.

REASONS FOR THE SHAREHOLDERS' AGREEMENT AND EXPORT SUPPLY AGREEMENT

As set out in the Company's circular dated 10 June 2006 to its shareholders, the Company has diversified its businesses into the trading of natural resources and as such, the trading of mined products from Indonesia and the entering into of the Shareholders' Agreement and Export Supply Agreement will better enable the Company to secure a constant and reliable supply of iron ore and iron sand for the Group's trading needs.

LETTER FROM THE BOARD

The Directors consider that both the Shareholders' Agreement and the Export Supply Agreement are entered into on normal commercial terms following arm's length negotiations between the parties to such agreements and the respective terms of the Shareholders' Agreement and Export Supply Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Whilst the Directors are optimistic about the future trading prospects of the JV Group and that the Company will benefit from the success of the JV Group as it goes forward, the formation of the JV Group is not currently expected to have any immediate and material impact on the earnings, assets and liabilities of the Group.

CURRENT STATUS AND RISKS OF THE EXPORT AND TECHNICAL SERVICES

The JV Group plans to start its Technical Services and Export Services with the iron sand mine in Java of which the concession rights for the mining and production of this iron sand mine is held by PT Antam Resourcindo, a wholly-owned subsidiary of the Antam group of Indonesia. The Government of Indonesia is the major shareholder of the Antam group, holding 65% of its issued shares. PT Antam Resourcindo and STUT will obtain all necessary permits relating to the operation, mining and export of the mined products. It is proposed that PT Orient Metro, the company to be established, will provide Technical Services, including turn-key advice, technical assistance, equipment and machinery, to STUT. Now Gain will act as a trader to buy the mined products and sell them to customers in the People's Republic of China. Save for the potential risks related to the political, business, and natural disaster, the Company believes that the Export Services and Technical Services businesses in Indonesia are potentially exposed to the similar level of risks and challenges as other similar businesses in other countries.

Whilst the JV Group is still at its start-up stage and accordingly, no expenditure estimates or commitments are set out in the agreements mentioned above, save for the US\$1,512,500 maximum amount of commitment agreed to by Magic Gain under the Shareholders' Agreement, neither Magic Gain nor the Company is obligated to fund any other expenditure of the JV Group. The Company and Magic Gain have been assisted by Indonesian legal advisers in respect of the formation of the JV Group and the Company is of the view that no other legal opinion is required in relation to the proposed transactions set out in this circular. The Indonesian legal advisers will also be responsible for drafting a mining service agreement in respect of the Technical Services (if any) and the establishment of the mining service company in Indonesia according to the requirements set out under the applicable Indonesian laws and regulations. Consequently, the precise scope of the proposed Technical Services has yet to be finalized under the mining service agreement.

As set out herein, the JV Group has since been owned as to 25% by Magic Gain and as such, the JV Company, which will be treated as an associated company of the Company, will be accounted for using the equity method of accounting and consequently, the financial statements of the JV Group will not be consolidated into the financial statements of the Group. Also neither the JV Group nor the Group owns or holds any mining concession rights, the Group will not be engaging in the exploration or production of natural resources.

LETTER FROM THE BOARD

GENERAL

The principal business activities of the Group are investment holding, design, supply and integration of automation and control system, and the trading of natural resources such as iron ore, iron sand, coal and other natural mineral products. The Directors consider such diversification into the trading of mined and mineral products will broaden the revenue base of the Group.

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 16 March 2006. The Company is still in the process of investigating into the matters regarding, and addressing issues arising from, the circumstances that gave rise to the claims as set out in the announcement dated 25 May 2006.

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
Techwayson Holdings Limited
Gerard McMahon
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Nature of interest	Total number of Shares	Percentage of issued share capital (%)
Dr. Sze Kwan	Corporate	126,700,000*	36.20

* These shares are held through Otto Link Technology Limited, which is beneficially owned as to 80% by Dr. Sze and 20% by Mr. Siek Fui, both of whom are directors of the Company.

(B) Substantial Shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company or their respective associates) had any interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity and nature of interest	Number of Shares held/ interested	Number of underlying Shares	Approximate Shareholding
Otto Link Technology Limited	Registered shareholder	126,700,000		36.20%
Mr. Chak Joaquin Emilio Kin Man	Beneficial owner	96,824,000		27.66%
Tsim Wing Kong (Note)	Interest of a controlled corporation		350,000,000	100%
Weina (BVI) Limited ("Weina") (Note)	Beneficial owner		350,000,000	100%

Note: Weina entered into the Subscription and Option Agreement dated 26 May 2006 and through the Subscription and Option Agreement, Weina is interested in such number of convertible redeemable preference shares with the right to convert up to 350,000,000 ordinary shares. Mr. Tsim is indirectly and beneficially interested in 70% of the entire issued share capital of Weina.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, the Group has the following litigations:

(A) The Group has been involved in certain litigations in the PRC with allegedly claims made by third parties of approximately RMB154,708,000 in aggregate in respect of certain guarantees given by the two wholly-owned subsidiaries of the Group in PRC and a construction-related litigation. Details of these litigations were set out in the Company's announcement dated 25 May 2006, a summary of which is set out below.

In early February and March 2006, the Company had been informed by its wholly-owned subsidiaries in the PRC, Techwayson Industrial Limited (“TWS”) and Hiwayson Technology Limited (“HWS”) (renamed as 德維森科技(深圳)有限公司 Techwayson Technology (Shenzhen) Limited), that they have been served with writs of summons issued by the Tongling Intermediate People’s Court and Shenzhen Intermediate People’s Court. As the then and current board of Directors was not aware of the underlying transactions concerning the two subsidiaries that were alleged in the writs of summons, the Company has been investigating the relevant facts.

The board of Directors was informed by TWS and HWS that it had been served with the following writs of summons:

1. Two China Construction Bank (“CCB”) Writs were issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:
 - (i) CCB Tongling Branch, as plaintiff;
 - (ii) Goldwiz Huarui (Tongling) Electronic Material Co. Limited (科維華瑞(銅陵)電子材料有限公司) (“Goldwiz Tongling”), as first defendant; and
 - (iii) TWS, as second defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans in the amount of, in one action, RMB18,000,000 with interests and, in another action, RMB23,500,000 with interests. TWS is alleged to be liable for such sum as a guarantor, aggregating to an amount of RMB41,500,000 with interests. It is alleged that TWS had given the guarantees in October 2004 and then again in October 2005.

2. The Industrial and Commercial Bank of China (“ICBC”) Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:
 - (i) ICBC Tongling Branch, as plaintiff;
 - (ii) Goldwiz Tongling, as first defendant; and
 - (iii) TWS, as second defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans and the payment of issued acceptance bills. TWS is alleged to be liable for the amount of RMB6,000,000 and the amount of RMB8,576,250 with interest as guarantor, aggregating to an amount of RMB14,576,250 with interest. It is alleged that TWS had given the guarantee to ICBC Tongling Branch on 8 October 2004.

3. The Tongling Economic Technical Development Zone (Group) Company (銅陵經濟技術開發區(集團)總公司) (“Tongling Group”) Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) Tongling Group, as plaintiff;
- (ii) Goldwiz Tongling, as first defendant; and
- (iii) TWS, as second defendant.

As a creditor, the plaintiff claims from Goldwiz Tongling the payment in the amount of RMB16,340,000 as payment in advance made by the plaintiff for the first defendant. TWS is alleged to be liable for such sum as guarantor. The Repayment Agreement was purportedly entered into between the parties in September 2005.

4. The Bank Of China (“BOC”) Tongling Branch Writ was issued through the Tongling Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) BOC Tongling Branch, as plaintiff;
- (ii) Goldwiz Tongling, as first defendant;
- (iii) TWS, as second defendant; and
- (iv) HWS, as third defendant.

As a bank creditor, the plaintiff claims from Goldwiz Tongling the repayment of loans in the amount of RMB9,879,446.26 with interests and the payment of RMB11,719,990 in respect of issued acceptance bills. TWS and HWS are alleged to be liable for such sums as guarantors, aggregating to an amount of RMB21,599,436.26 with interests. It is alleged that each of HWS and TWS had given the guarantee in July 2005.

5. The BOC Shenzhen Writ was issued through the Shenzhen Intermediate People’s Court (PRC) and the parties to the litigation are as follows:

- (i) BOC Shenzhen Branch, as plaintiff;
- (ii) Shenzhen Qi Hai Industrial Company (深圳市濟海實業有限公司) (“Qi Hai Company”), as first defendant;
- (iii) TWS, as second defendant;
- (iv) Goldwiz Real Estate (Shanghai) Co. Ltd. (科維置業(上海)有限公司) (“Goldwiz Real Estate”), as third defendant; and

- (v) Goldwiz Tongling, as fourth defendant.

As a bank creditor, the plaintiff claims from Qi Hai Company the repayment of loans and interest in the aggregate amount of approximately RMB60,692,650. TWS is alleged to be liable for such sum as guarantor. It is alleged that TWS had given the BOC Shenzhen guarantee in October 2003. Goldwiz Real Estate, as the third defendant, to the best of knowledge and belief of the Directors, is owned as to 10% by Goldwiz and as to 90% by a PRC National who is an independent third party of the Company and its connected persons. To the best of the Directors' knowledge and information and belief and having made all reasonable enquiries, each of Qi Hai Company and its shareholders are not a member of the Group, and is a third party independent of the Company and its connected persons (as defined in the Listing Rules), save for the fact that Qi Hai Company has, at the relevant times, and remains to be, a customer of Goldwiz Tongling.

The board of Directors became aware of the guarantees and agreements through the writs and the guarantees were given without the knowledge of the then board of Directors at the relevant time.

Construction-related litigation

The Board was informed by TWS that it had been served with another writ of summons dated 30 March 2006 and as amended on 9 May 2006 to join additional defendants. The underlying dispute of the following litigation related to a dispute with a building contractor regarding alleged outstanding unpaid fees under a building contract that was entered into by TWS in the normal course of business. The writ of summons was issued through the Shenzhen Intermediate People's Court (PRC) and the parties to the litigation were as follows:

- (i) Shenzhen Jin Shi Ji Construction Industrial Company Limited (深圳市金世紀工程實業有限公司), as plaintiff;
- (ii) TWS, as defendant; and
- (iii) other parties, as co-defendants.

As a building contractor, the plaintiff claimed from TWS the payment of fees in the amount of approximately RMB16,000,000 with interest. Three additional parties were joined as defendants as they are alleged to have a possible interest in the outcome of the proceedings. TWS was alleged to be liable for such sum as unpaid fees and other related costs under a construction contract in respect of the construction of a research and development centre located at High-Tech Industrial Park, Nanshan District, Shenzhen City, Guangdong Province, PRC.

This Construction-related litigation has since been settled as at the Latest Practicable Date.

(B) Arbitration with respect to Bank Indebtedness:

The Company received a notice of an arbitration proceeding dated 1 August 2006 (“Arbitration”) which was issued by 深圳仲裁委員會 (Shenzhen Arbitration Committee) and was served on the Company on 2 August 2006 in respect of the bank indebtedness of TWS as set out herein. TWS is the borrower of the RMB100 million bank indebtedness (and together with interest, the “Bank Indebtedness”) owed to The Bank of China, Shenzhen Branch, PRC (“Bank Creditor”) which as claimant, has applied for the Arbitration. The respondents to the Arbitration are the Company, Goldwiz Real Estate and Mr. LIU Xue Lin (劉學林), each of whom has given a guarantee to the Bank Creditor in respect of the repayment of the full amount of the Bank Indebtedness. For details, please refer to the Company announcement dated 3 August 2006. The Group is in negotiations with the Bank Creditor for a proposed restructuring of the Bank Indebtedness.

5. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competed or may compete with the business of the Group.

6. GENERAL

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suite 1304, 13th Floor, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, whose office is at 311-312, Two Exchange Square, Central, Hong Kong.
- (d) The qualified accountant of the Company is Ms. Fung Yin Wan. Ms. Fung is the Financial Controller of the Group. She has more than ten years of experience in the fields of auditing, accounting, finance and taxation. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. She is also an associate member of the Institute of Company Secretaries and Administration and the Hong Kong Institute of Company Secretaries.
- (e) The company secretary of the Company is Ms. Cheung Hiu Lan. She is an associate member of Hong Kong Institute of Chartered Secretaries.

7. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.