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Techwayson Holdings Limited

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its publication.

12 October 2001

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”)
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

The following definitions apply throughout this circular unless the context requires otherwise:

“Agreement”	The agreement dated 26 September 2001 entered into between the Vendor and the Company for the sale and purchase of the Sale Shares together with the Shareholder’s Loan
“Company”	Techwayson Holdings Limited
“Directors”	The directors of the Company
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market operated by the Stock Exchange
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administration Region of the People’s Republic of China
“Latest Practicable Date”	11 October 2001
“LIBOR”	London Inter-Bank Offered Rate
“PRC”	The People’s Republic of China
“RMB”	Reminbi, the lawful currency of the PRC
“Sale Shares”	100 shares of US\$1.0 each in the issued capital of Techwire registered in the name of the Vendor, representing the entire issued share capital of Techwire
“Shareholder’s Loan”	loan of HK\$31,020,325 due and owing by Techwire to the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Techwire”	Techwire Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, an independent third party to and not connected with the Company and its subsidiaries as well as the directors, chief executives, management shareholders or substantial shareholders of the Company, any of its subsidiaries or their respective associates
“Term-Loan”	An amount of HK\$18 million owed by Techwire to Committee of Tongling Economy and Technology Development Zone

DEFINITIONS

“Tongling Huarui”	銅陵華瑞電子材料有限公司(Tongling Huarui Electronic Materials Co., Ltd.), a sino-foreign joint venture enterprise established in the PRC, an independent third party to and not connected with the Company and its subsidiaries as well as the directors, chief executives, management shareholders or substantial shareholders of the Company, any of its subsidiaries or their respective associates
“Transaction”	The sale and purchase of the Sale Shares together with the Shareholder’s Loan pursuant to the Agreement
“Vendor”	Mr. CHEN Jian Jun, an independent third party to and not connected with the Company and its subsidiaries as well as the directors, chief executives, management shareholders or substantial shareholders of the Company, any of its subsidiaries or their respective associates

LETTER FROM THE BOARD OF DIRECTORS



Techwayson Holdings Limited

德維森控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Dr. Sze Kwan (*Chairman*)

Mr. Tung Fai

Mr. Lee Tiong Hock

Mr. Xiong Jian Rui

Mr. Ye Wei Fa

Non-executive Director:

Mr. Lin Gongshi

Independent Non-executive Directors:

Mr. Wee Soon Chiang

Mr. Wong Kam Kau

Mr. Kuang Ding Bo

Registered Office:

Zephyr House

Mary Street

George Town

Grand Cayman

Cayman Islands

British West Indies

Principal Place of Business:

Room 1810, 18th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

12 October 2001

To shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

1. INTRODUCTION

On 26 September 2001, the Company entered into the Agreement with the Vendor pursuant to which the Company agreed to (i) purchase from the Vendor the Sale Shares together with the Shareholder's Loan at a cash consideration of HK\$31 million which will be paid to the Vendor within 30 days upon the signing of the Agreement; and (ii) assume the liability of HK\$18 million Term-Loan owed by Techwire to an independent third party.

The Transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules. The purpose of this circular is to provide you with further information relating to the Transaction.

* For identification only

LETTER FROM THE BOARD OF DIRECTORS

2. AGREEMENT

Parties

- (a) Mr. CHEN Jian Jun as the Vendor

Mr. CHEN beneficially owns 100 shares in Techwire representing the entire issued capital of Techwire. Techwire holds about 18.52% equity interest in Tongling Huarui which is a sino-foreign joint-venture enterprise established in the PRC with its primary business as described in the paragraph under "Assets acquired" below.

- (b) The Company as the Purchaser

The Vendor, Techwire and Tongling Huarui and their respective directors, chief executives and shareholders are parties independent of and not connected with the Company and its subsidiaries as well as the directors, chief executives, management shareholders or substantial shareholders of the Company, any of its subsidiaries or their respective associates.

Date

26 September 2001

Consideration

The total consideration for the Transaction is HK\$49 million, of which HK\$31 million will be settled in cash by the Company to the Vendor no later than 30 days from the date of signing the Agreement whilst the balance of HK\$18 million represents the taking up of the liability by the Company of the Term-Loan owed by Techwire to an independent third party. The Term-Loan is repayable under 16 instalments in 8 years with the first semi-annual payment of HK\$1,125,000 to be started from end December 2001. The Term-Loan bears an interest rate of LIBOR plus 0.5%.

The total consideration of HK\$49 million represents the total asset value of Techwire. For comparative purposes, it also represents a price-earning of 3.8 multiple, based on the expected after tax profit of Tongling Huarui of about RMB75 million (approximately HK\$70 million) for the full-scale production year ending 2002. The Directors believe that this multiple is attractive taking in view of another similar business which is quoted on the Shenzhen Stock Exchange at a market value with price earning of approximately 24 multiple. The terms of the Transaction were determined after arm's length negotiation based on normal commercial terms. The Directors consider that the terms and conditions of the Agreement are fair and reasonable and the Transaction is in the interests of the Company.

Completion of Transaction

The Transaction was completed upon signing of the Agreement on 26 September 2001. Upon completion of the Transaction, the Vendor transferred the Sale Shares and assigned the Shareholder's Loan to the Company.

LETTER FROM THE BOARD OF DIRECTORS

Assets acquired

The Sale Shares together with the Shareholder's Loan which is free of interest and without repayment term acquired pursuant to the terms and conditions of the Agreement. Upon the acquisition, Techwire shall be the wholly owned subsidiary of the Company.

The Vendor is the sole beneficial shareholder of the entire issued capital of Techwire. Techwire holds 18.52% equity interest in Tongling Huarui. The remaining 81.48% equity interest in Tongling Huarui are held by Tongling Economy Technology (Group) Corporation as to 24.52%, Ever First Enterprises Limited as to 33.36%, Sino-Swiss partnership fund as to 22.48% and Cavitec AG (Switzerland) as to 1.12%, all of them and their respective directors, chief executives and shareholders are parties independent of and not connected with the Company and its subsidiaries as well as the directors, chief executives, management shareholders or substantial shareholders of the Company, any of its subsidiaries or their respective associates.

Techwire is a private company newly incorporated in the British Virgin Islands on 28 February 2001 which only asset is its investment holding in Tongling Huarui. Other than the aforesaid investment holding business, Techwire does not have any other operation. As at 31 August 2001, the net asset value of Techwire stood at about HK\$31million. For the period from the date of incorporation to 31 August 2001, Techwire has recorded a loss in HK\$20,325.

Tongling Huarui is primarily engaged in the production and distribution of (i) epoxide woven glass fabric copper clad laminate (FR-4); and (ii) thin and rigid laminate used in multi-layer printed circuit board (PCB). Its products are mainly used in the production of electronic circuit board, radio, television, calculator, computer, communication device, automobile electronics and domestic appliances.

Tongling Huarui is a sino-foreign joint venture enterprise established in the PRC on 17 March 2000 with a total investment fund of approximately US\$17.194 million (approximately HK\$134 million). Its registered capital and fully paid-up capital are US\$12.45 million (approximately HK\$97 million) and US\$8.5 million (approximately HK\$66 million) respectively. It is located in the Tongling Economic & Technological Development Zone of Auhui, the PRC with site and production area of 25,000 sqm and 10,000 sqm respectively. It employs a workforce of about 130 experienced staff and professionals.

Tongling Huarui commenced its trial production on 28 November 2000 and produced its first batch of copper clad laminate FR-4 products in March 2001. Its production, manufacturing and services in FR-4 series of pressured plate with covering copper foil layer have gained recognition from Underwriters Laboratories Inc. (USA) and have been awarded ISO9001 Certificate of Quality Management System Registration by the American Systems Registrar in June 2001.

Tongling Huarui distributes its products to the domestic markets. For the six months period ended 31 August 2001, the production volume of Tongling Huarui was 110,000 sqm representing 3% of its production capacity. Tongling Huarui is expected to have full scale of production starting from January 2002 and its annual production is expected to reach approximately 4,000,000 sqm for that year.

LETTER FROM THE BOARD OF DIRECTORS

As at 31 August 2001, the net asset value of Tongling Huarui amounted to about RMB61.68 million (approximately HK\$58.19 million). For the period from date of incorporation to 31 August 2001, the net profit before taxation and the net profit after taxation of Tongling Huarui amounted to about RMB2.03 million (approximately HK\$1.92 million) and about RMB2.03 million (approximately HK\$1.92 million) respectively. The financial statements of Tongling Huarui have been prepared in accordance with the standards, accounting principles generally accepted in the PRC.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in the research, design, integration and supply of automation and control system, components, software applications, products and services for the automation of various major industries and buildings.

According to the electronic industry market report in 2000, the production scale of PCB in the PRC ranked 4th in the world and its ranking is expected to remain for the year 2001. PCB is a key material for electronic appliances. The demand for PCB is heavy in the electronic data processing and communication industries particularly for quality products. According to the information given by the “Information Property Department”(信息產業部經運司), the worldwide demand for “electronic products market” in year 2000 reached US\$1,138 billion (approximately HK\$8,876.4 billion), of which the PRC shared 4.28%. It is estimated that the global demand will rise 4.6%, reaching a figure of US\$1,190 billion (approximately HK\$9,282 billion) for year 2001, of which the PRC will have a sharing of 11.2% increment, reaching US\$54.1 billion (approximately HK\$421.98 billion). Despite of the recent overseas economic turndown, the Directors believe that the sales of Tongling Huarui will not be much affected as they are made to the domestic market.

The Directors believe that the investment is in line with the Group’s business plan for co-operation and investment projects with strategic partners as outlined in the Prospectus. The Directors also believe that the investment would enable the Company to achieve its stated strategy of improving technology in the design, development and quality of its products. In particular, the Directors are of the view that the Company would benefit from co-operating with Tongling Huarui in terms of obtaining first-hand information relating to the latest technology development in PCBs which may benefit the Company in developing advanced PCBs for its integrated system products and in maintaining its leading position in the automation industry. PCBs are key components of the Company’s supply of automation and control system products. When developing the hot back-up/redundancy controller modules for the automation system, it is found that more than 50% of failures are due to the flaws in PCBs. Because the environment of automation system is very rigorous, the demand for high quality PCBs in controller modules is very much higher than that of common electronic products. The PCBs for common electronic products such as computers and Personal Digital Assistant (PDAs) cannot pass the industrial test to be used in controller modules of the automation and control system. Tongling Huarui is one of the several manufacturers of high quality PCBs in the PRC. With access to Tongling Huarui’s products and know-how, the Company can expect to develop higher quality controller modules in its automation and control system

LETTER FROM THE BOARD OF DIRECTORS

which can be used in a much more rigorous environment. The Company intends to hold this investment as a long-term investment.

The investment is funded from internal resources and profit of the Company as to the payment of HK\$31 million cash consideration and as to the balance of HK\$18 million, payable over 8 years, will be funded from future profit of the Company and bank borrowing (if necessary). For the year ended 30 June 2001, the audited profit after taxation of the Company amounted to RMB60.44 million (approximately HK\$57.02 million) which was announced on 20 September 2001.

Upon completion of the Transaction, the Directors expect that there will be a positive contribution to the future earnings of the Group from the financial year 2002 and there will be no material impact on the assets and liabilities of the Group.

4. GENERAL

The Directors have confirmed to the best of their knowledge and information, Techwire is an independent third party and have no connection with the Directors, the chief executive, the substantial shareholders and the management shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules). The Directors believe that the terms of the Agreement are fair and reasonable and in the interests of the shareholders as a whole.

By order of the Board of
Techwayson Holdings Limited
Sze Kwan
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

Save as disclosed below, as at latest practicable date, none of the Directors or chief executive of the Company had any interest in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which had notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transaction by directors, to be notified to the Company and the Stock Exchange:

<u>Name of director</u>	<u>Personal Interests</u>	<u>Family Interests</u>	<u>Corporate Interests</u>	<u>Other interests</u>	<u>Total</u>
Dr. Sze Kwan	—	—	168,000,000*	—	168,000,000

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

Save as disclosed below, as at latest practicable date, so far as was known to any Director or chief executive of the Company, there was no person (other than a Director or chief executive of the Company) who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company:

Name	Number of shares held	Approximate shareholdings
Otto Link Technology Limited (a)	168,000,000	48.00%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited (b)	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%

Notes —

- a. Otto Link Technology Limited is beneficially owned as to 80% by Dr. Sze Kwan who is the Chairman of the Company and 20% by Mr. Tung Fai, who is also a director.
- b. Goldwiz Holdings Limited (“Goldwiz Holdings”), the holding company of Goldwiz Technology Limited (“Goldwiz”), holds 100% of the issued share capital of Goldwiz and is therefore deemed to be interested in 61,824,000 shares held by Goldwiz.

3. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

Each of Dr. Sze Kwan, Mr. Tung Fai and Mr. Lee Tiong Hock being executive director of the Company, has entered into a service contract with the Company for an initial term of two years commencing from 1 January 2001. The service contract shall continue thereafter until terminated by either party giving the other not less than three months notice after the expiration of the said initial fixed term.

5. INTEREST OF SPONSOR

None of the Company’s sponsor, Celestial Capital Limited (“CASH”), its directors, employees or associates (as referred to in Rule 6.36 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at latest practicable date.

Pursuant to an agreement dated 16 July 2001 entered into between the Company and CASH, CASH has been appointed to act as the Company’s sponsor for the period from 16 July 2001 to 30 June 2003 in return for a monthly advisory fee.

6. GENERAL

- (a) The registered office of the Company is at Zephyr House, Mary Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The registered office address of the Company will be changed to Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies with effect from 22 October, 2001. The head office and principal place of business of the Company in Hong Kong is at Room 1810, 18th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The branch share registrar and transfer office of the Company is Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong.
- (b) Both the qualified accountant and company secretary of the Company is Mr. LI Chi Yuen. He is an associate member of Hong Kong Society of Accountants and Chartered Institute of Management Accountants. The compliance officer of the Company is Mr. TUNG Fai, who is also an executive Director of the Company.
- (c) The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The duties of the audit committee are to review the Company's annual report and accounts, half-year and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises three independent non-executive directors, namely Mr. WEE Soon Chiang, Mr. WONG Kam Kau, Eddie and Mr. KUANG Ding Bo, further details of whom are set out below:

KUANG Ding Bo (匡定波) aged 71. Mr. Kuang is an expert on infra-red and remote sensing. He is currently the Dean of Information College of Shanghai Institute (上海大學信息學院) and a director of the Academic Committee of the Shanghai Institute of Technical Physics of the Chinese Academy of Science (中國科學院上海技術物理研究所學術委員會). Mr. Kuang graduated with a bachelor degree in Physics from Shanghai Jiaotong University in 1952 and was elected Academician of Chinese Academy of Science in 1991. Mr. Kuang was appointed independent non-executive director of the Company in November 2000.

WEE Soon Chiang (黃循強), aged 55. Mr. Wee graduated from the University of Newcastle in Australia with a Bachelor of Commerce (Accounting) in 1970 and qualified as a Chartered Accountant (Australia) in 1975. He is currently the proprietor of Messrs. Henny Wee & Co., a firm of Certified Public Accountants. Mr. Wee was appointed independent non-executive director of the Company in September 2001.

WONG Kam Kau, Eddie (王鑑球), aged 53. Mr. Wong graduated from the Chinese University of Hong Kong. He is a fellow member of the Chartered Institute of Secretaries and Life Management Institute. He is currently a director of Jithra Limited, Hornby Asia Limited, Belmont Capitals Limited and Belmont Corporate Services Limited. Mr. Wong was appointed independent non-executive director of the Company in September 2001.