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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)

PROPOSED ISSUE OF CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Financial Adviser



CENTURION CORPORATE FINANCE LIMITED

The board of Directors announces that on 26 May 2006, the Company entered into the Subscription and Option Agreement with Weina in relation to the subscription of 250,000,000 Convertible Redeemable Preference Shares by Weina at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share and the grant by Weina to the Company of an option to require Weina during the Option Period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share. The Subscription and Option Agreement is subject to the approval by the Shareholders at the SGM.

SUBSCRIPTION AND OPTION AGREEMENT DATED 26 MAY 2006

Parties

Issuer: The Company
Subscriber: Weina
Guarantor: Mr. Tsim (as guarantor in respect of the obligations of Weina)

Convertible Redeemable Preference Shares to be issued

250,000,000 new Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share will be issued and subscribed by Weina or its nominees. 250,000,000 underlying Ordinary Shares will be issued upon full conversion of 250,000,000 Convertible Redeemable Preference Shares representing approximately 71.43% of the existing issued share capital of the Company and approximately 41.67% of the issued ordinary share capital of the Company as enlarged by the full conversion of the 250,000,000 Convertible Redeemable Preference Shares.

Currently, no Convertible Redeemable Preference Share is in issue. The Convertible Redeemable Preference Shares will not be listed on the Stock Exchange or any other stock exchange.

Weina has granted an option to the Company to require Weina during the Option Period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK\$0.40 per Convertible Redeemable Preference Share. 100,000,000 underlying Ordinary Shares will be issued upon full conversion of 100,000,000 Convertible Redeemable Preference Shares representing approximately 28.57% of the existing issued share capital of the Company and approximately 22.22% of the issued share capital of the Company as enlarged by the full conversion of the 100,000,000 Convertible Redeemable Preference Shares.

Upon full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares to be issued pursuant to the Subscription and the exercise of the Option, Weina will own approximately 350,000,000 Ordinary Shares, representing approximately 100% of the existing issued share capital of the Company and approximately 50% of the issued ordinary share capital of the Company as enlarged by the full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares.

Other terms of the Convertible Redeemable Preference Shares

Conversion:

Convertible into new Ordinary Shares during the Conversion Period at the conversion price of HK\$0.40 (subject to adjustments for the following events: alterations to the nominal value of the Ordinary Shares as result of consolidation or subdivision; capitalisations of profits or reserves; capital distributions; rights or warrants issues; issues of shares or other securities at less than the then current market price; modifications as to rights of conversion and other events which may require adjustments to be determined by the Company's auditor or financial adviser). The right to convert may be exercised in full or in part only at the discretion of the holder, subject to the undertaking given by Weina as set out in the section under the heading "Shareholding Structure" and the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Ordinary Shares to be issued following the conversion of the Convertible Redeemable Preference Shares. The Company and Weina may agree to extend the Conversion Period for a period of not more than 12 months, please refer to the section under the heading "Shareholding Structure". The Company has the right, exercisable immediately following the end of the Conversion Period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription, to require the mandatory conversion of all or part of the outstanding Convertible Redeemable Preference Shares into new Ordinary Shares, or to require the redemption of all or part of the outstanding Convertible Redeemable Preference Shares at the amount equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. In the event that the Conversion Period is extended, the Company's right to require the mandatory conversion of the outstanding Convertible Redeemable Preference Shares shall be deferred and shall be exercisable immediately following the end of the Conversion Period (as extended) and for a period of 10 business days thereafter.

Redemption:

The Company has the right, exercisable immediately following the end of the Conversion Period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription, to require the redemption of all or part of the Convertible Redeemable Preference Shares at the amount equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. In the event that the Conversion Period is extended, the Company's right to require the mandatory redemption of the outstanding Convertible Redeemable Preference Shares shall be deferred and shall be exercisable immediately following the end of the Conversion Period (as extended) and for a period of 10 business days thereafter.

Dividend:

Each Convertible Redeemable Preference Share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

Non-Voting:

The holders of the Convertible Redeemable Preference Shares shall be entitled to receive notices of general meetings but not to attend or vote.

Transferability:

The Convertible Redeemable Preference Shares shall not be transferable.

Conversion Price

The conversion price of HK\$0.40 for the conversion of each Convertible Redeemable Preference Share into one Ordinary Share was determined after arm's length negotiations.

The conversion price of HK\$0.40 represents a premium of approximately 21.2% to the closing price of HK\$0.33 per Ordinary Share as quoted on the Stock Exchange on 15 March 2006, (being the last trading day prior to the suspension of trading of the Ordinary Shares), and a premium of approximately 21.2% and to the average closing price of HK\$0.33 Ordinary Share of the 5 and 10 trading days up to and including 15 March 2006.

The terms of the Subscription and Option Agreement were negotiated on an arm's length basis.

Condition precedent

Completion of the Subscription and Option Agreement is conditional upon the terms and issue of the Convertible Redeemable Preference Shares and the Subscription and Option Agreement being approved by the Shareholders in the SGM. If Weina is a connected person under the Listing Rules at the time the Option is exercised, the exercise of the Option would also be subject to the requirements set out under Chapter 14A of the Listing Rules, including independent Shareholders' approval.

Completion

The aggregate consideration for the subscription of the 250,000,000 Convertible Redeemable Preference Shares of HK\$100,000,000 will be paid in cash by Weina upon completion of the Subscription and Option Agreement. Completion of the Subscription and Option Agreement shall take place within three business days after the condition precedent of the Subscription and Option Agreement has been fulfilled. In the event that the above condition of the Subscription and Option Agreement is not fulfilled on or before 31 July 2006 or such other date as may be agreed in writing between the Company and Weina, the Subscription and Option Agreement shall terminate and none of the parties to the Subscription and Option Agreement will have any claims against the other parties save in respect of any prior breaches of the Subscription and Option Agreement. The additional consideration for the subscription of the 100,000,000 Convertible Redeemable Preference Shares of approximately HK\$40,000,000 will be paid in cash by Weina upon the exercise of the Option on the part of the Company.

Post Completion

After Completion, the Company will make an application to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the aggregate 350,000,000 Ordinary Shares which may be issued pursuant to the exercise of conversion rights attaching to the Convertible Redeemable Preference Shares to be issued pursuant to the Subscription and pursuant to the exercise of conversion rights attaching to the Convertible Redeemable Preference Shares to be issued pursuant to the exercise of the Option. No conversion of the Convertible Redeemable Preference Shares into Ordinary Shares shall be made until such approval is granted by the Listing Committee of the Stock Exchange.

OBLIGATIONS UNDER THE CODE

Upon the conversion in full or in part of the Convertible Redeemable Preference Shares resulting in Weina holding more than 30% of the enlarged issued ordinary share capital of the Company, Weina will be required under Rule 26 of the Code to make a mandatory offer for the Ordinary Shares other than those already owned by Weina and parties acting in concert with it.

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company immediately before and after the conversion of the Convertible Redeemable Preference Shares.

	Existing shareholding structure <i>No. of Ordinary Shares (%)</i>	After Completion but before the conversion of the 250,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>	After Completion and assuming partial conversion* of the 250,000,000 Convertible Redeemable Preference Shares but before the conversion of the 100,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>	After Completion and assuming partial conversion* of the 350,000,000 Convertible Redeemable Preference Shares <i>No. of Ordinary Shares (%)</i>
Weina	0	0	155,904,000 (30.82%)	155,904,000 (30.82%)
Otto Link Technology Ltd.	126,700,000 (36.20%)	126,700,000 (36.20%)	126,700,000 (25.04%)	126,700,000 (25.04%)
Mr. Chak Joaquin Emilio Kin Man	96,824,000 (27.66%)	96,824,000 (27.66%)	96,824,000 (19.14%)	96,824,000 (19.14%)
Public	126,476,000 (36.14%)	126,476,000 (36.14%)	126,476,000 (25.00%)	126,476,000 (25.00%)
	<u>350,000,000</u> (100%)	<u>350,000,000</u> (100%)	<u>505,904,000</u> (100%)	<u>505,904,000</u> (100%)

* Partial conversion is assumed due to the maintenance of the minimum public float requirement and the undertaking given by Weina as set out in the paragraph below.

Pursuant to the Subscription and Option Agreement, Weina has undertaken to the Company that, subject to Completion, Weina will not exercise the conversion rights as to such number of Convertible Redeemable Preference Shares if upon the conversion thereof, the percentage of the Ordinary Shares held by the public drops to below the minimum public float requirement under rule 8.08 of the Listing Rules. If, at the end of the Conversion Period (prior to the extension thereof) there are Convertible Redeemable Preference Shares that remain outstanding, and Weina was unable to exercise, or was prevented from exercising, its conversion rights at any time during the Conversion Period (prior to the extension thereof) due to the restrictions contained in the undertaking, Weina and the Company may agree to extend the Conversion Period for a period of not more than 12 months.

DILUTION EFFECT

Given that upon full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares, Weina will own approximately 50% of the issued ordinary share capital of the Company as enlarged by the full conversion of the aggregate 350,000,000 Convertible Redeemable Preference Shares, the Company is required to disclose by way of an announcement on the website of the Stock Exchange only all relevant details of the conversion of the Convertible Redeemable Preference Shares in the following manner:

- (i) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month following the commencement of the Conversion Period and will include the following details in a table:
 - a. whether there is any conversion of the Convertible Redeemable Preference Shares during the relevant month (if so, details of the conversion(s), including the conversion date, number of conversion shares issued, and conversion price for each conversion or, if there is no conversion during the relevant month, a negative statement to that effect);
 - b. the number of outstanding Convertible Redeemable Preference Shares after any conversions;
 - c. the total number of Ordinary Shares issued pursuant to other transactions, including Ordinary Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and
 - d. the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of the Ordinary Shares issued pursuant to the conversion of the Convertible Redeemable Preference Shares reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be) (and thereafter in multiples of 5%), the Company will make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be) up to the date on which the total amount of Ordinary Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Redeemable Preference Shares (as the case may be); and

- (iii) if the Company forms the view that any issue of the Ordinary Shares under the Convertible Redeemable Preference Shares will trigger a disclosure obligation under Rule 13.09 of the Listing Rules, then the Company will be obliged to make such a disclosure regardless of the issue of any other announcement in relation to the Convertible Redeemable Preference Shares.

If the Convertible Redeemable Preference Shares have been fully converted or redeemed, the Monthly Announcement requirements set out above will cease immediately.

INFORMATION ON WEINA

Weina is an investment holding company incorporated in the British Virgin Islands in 1997 with limited liability and, currently, is ultimately owned by Mr. Tsim and his spouse as to 70% and 30%, respectively. As at the date of this announcement, none of Weina, Mr. Tsim or his spouse holds Ordinary Shares in the Company. To the best of the knowledge of the board of Directors of the Company, Weina, its nominees, Mr. Tsim and his spouse are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Mr. Tsim, aged 59, is the Chairman of Weina Group. Weina Group and its group of companies (of which Weina is part of) was founded by Mr. Tsim in 1990 and are engaged in manufacturing and property investments. Mr. Tsim has over 30 years' experience in manufacturing and property investments.

FUTURE INTENTION

The Group is principally engaged in investment holding, design, supply and integration of automation and control system and is also engaged in the trading of automation products and natural resources. It is the intention of Weina that following Completion, the principal activities of the Group will continue and the Group is also considering the possibility of diversifying into other business. So far as the current board of Directors is aware, there will be no changes in the foreseeable future to the existing Directors or senior management of the Company in connection with, or as a result of, the Subscription and the grant of the Option. In the event of any changes to the existing Directors or senior management of the Company, the Company will make an appropriate announcement as required by the Listing Rules.

REASONS FOR ENTERING INTO THE TRANSACTION AND USE OF PROCEEDS OF THE SUBSCRIPTION

The proposed issue of the Convertible Redeemable Preference Shares is a good opportunity for the Company to raise additional equity funding for the Company and as a result, to better enhance its financial position. The additional funding from the proposed issue of the Convertible Redeemable Preference Shares will enable the Group to undertake investments in connection with any possible business diversification. The total gross proceeds from the Subscription (excluding the issue of the 100,000,000 Convertible Redeemable Preference Shares pursuant to the exercise of the Option) amount to approximately HK\$100,000,000 and 50% of which will be used as general working capital of the Group and the remaining 50% of which for possible investment opportunities as they arise. The additional gross proceeds from the exercise of the Option amount to approximately HK\$40,000,000 and 50% of which will also be used as general working capital of the Group and the remaining 50% of which for possible investment opportunities as they arise.

MANAGEMENT

The board of Directors now comprises four Executive Directors, namely Dr. SZE Kwan, Mr. SIEK Fui, Ms. CHAN Siu Chu, Debby and Mr. LIU Ping, two Non-executive Directors, namely Mr. LIN Gongshi and Mr. Gerard McMahon and three Independent Non-executive Directors, namely Mr. WEE Soon Chiang, Henny, Mr. WONG Kam Kau, Eddie and Mr. HUI Hung, Stephen. Please refer to the Company's announcement dated 10 May 2006 in relation to the appointment of Mr. Gerard McMahon and the redesignation of position of Dr. SZE Kwan. So far as the board of Directors is aware, Weina will not be proposing the appointment of any new directors to the board of the Company.

GENERAL

The Company has not conducted any fund raising activities during the twelve months prior to the date of this announcement. The directors of the Company consider that the terms of the Subscription and Option Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Subscription and Option Agreement is subject to the approval by the Shareholders at the SGM. Should the Option be exercised, the Company will also issue an announcement in respect of the exercise of the Option and the views of all the Directors. Centurion Corporate Finance Limited has been appointed as the financial adviser to the Company.

Trading in the Ordinary 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 in the process of investigating into the matters regarding, and addressing issues arising from, the circumstances that give rise to certain incidents, details of which were set out in the Company's announcement dated 25 May 2006 in relation to "Disclosure Pursuant to Rule 13.09 of the Listing Rules". An application will be made by the Company for resumption of trading in the Ordinary Shares after such issues as set out in the announcement dated 25 May 2006 have been resolved to the satisfaction of the Stock Exchange.

A circular containing, among other things, the details of the Subscription and Option Agreement and the notice of the SGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

"Code"	the Hong Kong Code on Takeovers and Mergers
"Company"	Techwayson Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription and Option Agreement
"Conversion Period"	subject to the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Ordinary Shares to be issued following the conversion of the Convertible Redeemable Preference Shares, the period (a) from 1 April 2007, or if on such date the trading of the Ordinary Shares on the Stock Exchange is or otherwise remains suspended, the day on which the trading of the Ordinary Shares shall resume following such suspension (provided that such date shall be no later than the date being the one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription) to (b) the earlier of (x) the date of commencement of the voluntary or involuntary winding up of the Company and (y) the date being the 10 business days before

the third anniversary of the date of initial issue of the 250,000,000 Convertible Redeemable Preference Shares, subject to an extension of not more than 12 months as the Company and Weina may agree

“Convertible Redeemable Preference Share(s)”	the convertible redeemable non-voting preference share(s) of HK\$0.10 each in the capital of the Company to be allotted and issued pursuant to the Subscription and Option Agreement
“Directors”	directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsim”	Mr. Tsim Wing Kong
“Option”	the option to be granted by Weina to the Company to require Weina during the Option Period to subscribe for 100,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription and Option Agreement
“Option Period”	the period commencing on 1 April 2007 and ending on the date following on the one month prior to the end of the third anniversary of the initial issue of the 250,000,000 Convertible Redeemable Preferences Shares
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong and Macau for the purpose of this announcement
“SFC”	The Securities and Futures Commission
“SGM”	a special general meeting of the Company be convened to consider and, if thought fit, approve, among other things, the Subscription and Option Agreement (or any adjournment thereof)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the 250,000,000 Convertible Redeemable Preference Shares pursuant to the Subscription and Option Agreement
“Subscription and Option Agreement”	the subscription and option agreement dated 26 May 2006 entered into between the Company, Weina and Mr. Tsim relating to the Subscription and Option

“Weina” Weina BVI Limited, a company incorporated in the British Virgin Islands and, currently, is ultimately owned by Mr. Tsim and his spouse as to 70% and 30% of the shareholding respectively

“Weina Group” Weina Group Limited, a company incorporated in the British Virgin Islands

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Dr. SZE Kwan, Mr. SIEK Fui, Ms. CHAN Siu Chu, Debby and Mr. LIU Ping, two Non-executive Directors, namely Mr. LIN Gongshi and Mr. Gerard McMahon and three Independent Non-executive Directors, namely Mr. WEE Soon Chiang, Henny, Mr. WONG Kam Kau, Eddie and Mr. HUI Hung, Stephen.

By order of the Board
Mr. Gerard McMahon
Chairman

Hong Kong, 26 May 2006

** For identification purposes only*

Please also refer to the published version of this announcement in The Standard.