

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

**DISCLOSEABLE TRANSACTION AND
POSSIBLE CONNECTED TRANSACTIONS
DEEMED DISPOSAL OF INTEREST IN FULLCHAMP
AND
POSSIBLE CONTINUING CONNECTED TRANSACTION**

Financial Adviser to the Company



South China Capital Limited

Summary

Deemed Disposal and Possible Connected Transaction

On 25 May 2006, the board of directors of Fullchamp, a non-wholly owned subsidiary of the Company, approved a proposal to issue new Fullchamp Shares to existing shareholders of Fullchamp in proportion to their respective interest and its employee(s). As at the date of this announcement, the Company, through Sunbeam, held 16,560,000 Fullchamp Shares, representing approximately 51.83% of the total issued share capital of Fullchamp. As the Company intends not to subscribe for any share in the Fullchamp Share Offer, it results that the Company's equity interest in Fullchamp will be decreased from approximately 51.83% to 39.48% upon the completion of the Fullchamp Share Offer. Fullchamp continues to be a subsidiary of the Company after the completion of the Fullchamp Share Offer. Accordingly, the Fullchamp Share Offer constitutes a deemed disposal and a discloseable transaction of the Company.

The Board was advised by the management of Taiwan Mayer, the ultimate controlling Shareholder of the Company, that Taiwan Mayer intends to subscribe for at maximum 10,000,000 Fullchamp Offer Shares subject to the subscription of the Fullchamp Offer Shares by other existing eligible shareholders and employees of Fullchamp. Accordingly, there is a possibility the Fullchamp Share Offer also constitutes a connected transaction under the Listing Rules and therefore, the Fullchamp Share Offer may be conditional upon, among other things, the approval by the Independent Shareholders at the EGM.

Trading transactions and Possible Continuing Connected Transactions

On 30 September 2005, the Company and Fullchamp entered into an Aluminum Alloy Supply Agreement, pursuant to which the Company agreed to supply to Fullchamp aluminum alloy on a continual basis at a contracted markup on an average monthly price quoted from LME plus premium requested by the supplier(s) for a period from 1 October 2005 to 30 September 2006. The Company intends to renew this agreement after its expiration on 30 September 2006 by entering into the New Aluminum Alloy Supply Agreement. By virtue of 14A.41, the Company is subject to the reporting and disclosure requirements in respect of the Aluminum Alloy Supply Agreement, considering that Fullchamp may become a connected person after completion of the Fullchamp Share Offer, and the entering into the New Aluminum Alloy Supply Agreement is subject to the reporting and disclosure and Independent Shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules.

General

As mentioned above, both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement are subject to approval by the Independent Shareholders at the EGM. Taiwan Mayer and its associate shall abstain from voting on the relevant ordinary resolutions to be passed at the EGM.

The Independent Board Committee will be formed to advise the Independent Shareholders on the possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the possible connected transaction and the possible connected transaction as stipulated above.

A circular, containing amongst other things, further details in relation to the Fullchamp Share Offer, the Disposal, the possible issuance of Fullchamp Offer Shares to Taiwan Mayer, the New Aluminum Alloy Supply Agreement, a notice convening the EGM, the advice letter from the Independent Board Committee and the advice letter from the independent financial adviser on the possible connected transaction and continuing connected transaction as stipulated above, will be despatched to the Shareholders as soon as practicable.

Background

Reference is made to the announcement dated 25 October 2005 and the circular dated 14 November 2005 respectively made by the Company with regard to the subscription and acquisition of a total of approximately 51.83% interest in Fullchamp. On 20 October 2005, Sunbeam, a wholly owned subsidiary of the Company, has respectively entered into (i) a subscription agreement with Fullchamp to subscribe for 12,500,000 new Fullchamp Shares for an aggregate consideration of NT\$125,000,000 (equivalent to approximately HK\$29,762,000); and (ii) an acquisition agreement with the vendors to acquire 4,060,000 shares of Fullchamp for an aggregate consideration of NT\$42,630,000 (equivalent to approximately HK\$10,150,000). After the subscription and acquisition, the Company, through Sunbeam, has held a total of 16,560,000 Fullchamp Shares, representing approximately 51.83% of the then total issued share capital of Fullchamp and Fullchamp became a subsidiary of the Company. The acquisition of a total of 51.83% interest in Fullchamp has been completed on 30 October 2005. As at the date of this announcement, the shareholding of the Company in Fullchamp has not changed.

On 25 May 2006, the board of directors of Fullchamp approved the issue of 10,000,000 new Fullchamp Shares, representing approximately 31.30% and 23.84% of the existing and enlarged issued share capital of Fullchamp respectively, to the existing shareholders of Fullchamp, including Sunbeam, in proportion to their respective shareholding in Fullchamp and the eligible employees of Fullchamp (at maximum 10% of the total number of Fullchamp Offer Shares).

The Board advised that the Company has no intention to take up its pro rata number of Fullchamp Offer Shares, and it would result that the Company's respective shareholding in Fullchamp be diluted from approximately 51.83% to 39.48% after completion of the Fullchamp Share Offer. Such dilution of interest in Fullchamp is treated as a deemed disposal by the Company under Rule 14.29 of the Listing Rules. The Disposal would also constitute a discloseable transaction for the Company under Rules 14.06(2), 14.30 to 14.32 of the Listing Rule as the consideration ratio represents more than 5% but less than 25%.

Under the Fullchamp Share Offer, if the Fullchamp Offer Shares are under-subscribed, the board of Fullchamp has the right to allocate the unsubscribed Fullchamp Offer Shares to other investors (other than existing shareholders of Fullchamp and eligible employees of Fullchamp). The Board was advised that Taiwan Mayer has the intention to subscribe for up to 10,000,000 Fullchamp Offer Shares, representing approximately 23.84% of the enlarged issued share capital of Fullchamp, subject to the subscription of other existing shareholders of Fullchamp, including the Company and eligible employees of Fullchamp. If the Fullchamp Offer Shares were to be issued to Taiwan Mayer, which is a connected person under the Listing Rules by virtue of it being the controlling Shareholder of the Company, it also constitutes a connected transaction of the Company under the Listing Rules and the issuance of the Fullchamp Offer Shares to Taiwan Mayer will be conditional upon, among other things, the approval by the Independent Shareholders by way of poll at the EGM. Taiwan Mayer and its associates will abstain from voting at the EGM.

The Fullchamp Share Offer

Number of Offer Shares: 10,000,000 new Fullchamp Shares, of which 10% is set aside for subscription by eligible employees of Fullchamp

Offer price: NT\$12.5 per share (approximately HK\$3.079 per share), being approximately 1.5 times on the net asset value per Fullchamp Share for the financial year ended 31 December 2005 (i.e. approximately NT\$8.29) as recorded in the audited accounts of Fullchamp

Eligible subscriber: Shareholders of Fullchamp shown on the register of members maintained with Fullchamp, eligible employees of Fullchamp and other potential investors (If the Fullchamp Offer Shares are under-subscribed, the board of directors of Fullchamp may exercise its right to allocate the unsubscribed Fullchamp Offer Shares to other investor(s) at its discretion)

The Fullchamp Share Offer is not fully underwritten and is subject to a number of conditions (see below) and accordingly, the Fullchamp Share Offer may or may not proceed

Offer period: From 5 June 2006 to 30 June 2006 for eligible shareholders and employees of Fullchamp; 1 July 2006 to 17 July 2006 for other investor(s), other than eligible shareholders and employees of Fullchamp, at the discretion of the board of directors of Fullchamp

Conditions The Fullchamp Share Offer is conditional on, amongst other things:

- a) full subscription of the total 10,000,000 Fullchamp Offer Shares and payment in full by 17 July 2006;
- b) all necessary consents and waivers for the Fullchamp Share Offer having been obtained from the relevant regulatory authorities and other relevant third parties;
- c) should any Fullchamp Offer Shares were to be issued to Taiwan Mayer under the Fullchamp Share Offer, the Independent Shareholders' approval at the EGM.

Reasons for the Fullchamp Share Offer and application of the net proceeds

The directors of Fullchamp have considered other financing alternatives, such as bank borrowing, and instalment loans. However, considering that the debt to equity ratio of Fullchamp will significantly increase as a result of additional borrowing, capital increase by way of Fullchamp Share Offer, on the other hand, will improve the financial structure of Fullchamp.

The net proceeds of the Fullchamp Share Offer is estimated to be NT\$122,970,000 (approximately HK\$30,288,000). According to the directors of Fullchamp, approximately 90% of the net proceeds will be applied for the purchase of additional production facilities (i.e. vertical lathing machines and vertical milling machines) and the remaining approximately 10% of the net proceeds as the general working capital of Fullchamp.

Information on Fullchamp

Fullchamp was incorporated in July 2002 under the laws of the Republic of China and is principally engaged in the design, development and manufacture of aluminum forged and forged-spun wheels for automobiles such as passenger, motorbike, sports utility vehicle and truck.

The following summarises the audited financial results of Fullchamp for the years ended 31 December 2004 and 31 December 2005 (in accordance with generally accepted accounting principles in Taiwan) respectively as provided by the directors of Fullchamp:

	For the year ended 31 December 2004	For the year ended 31 December 2005
	<i>NT\$'000</i>	<i>NT\$'000</i>
Turnover	254,352	213,195
Gross profit	15,465	(11,138)
Profit (loss) before taxation and extraordinary items	(105,048)	(109,822)
Taxation	27,455	4,226
Profit (loss) after taxation and extraordinary items	(77,593)	(105,596)

Effect on shareholding structure of Fullchamp

The following table summarises the shareholding structure of Fullchamp (i) immediately before the Fullchamp Share Offer, (ii) immediately after completion of the Fullchamp Share Offer (assuming the Company will not subscribe for any Fullchamp Offer Share(s) and Taiwan Mayer will not subscribe for any Fullchamp Offer Shares), and (iii) immediately after the Fullchamp Share Offer (assuming the Company will not subscribe for any Fullchamp Offer Share(s) and Taiwan Mayer is granted at maximum 10,000,000 Fullchamp Offer Shares):

	Immediately before the Fullchamp Share Offer		Immediately after the Fullchamp Share Offer (assuming the Company and Taiwan Mayer will not subscribe for any Fullchamp Offer Share(s))		Immediately after the Fullchamp Share Offer (assuming the Company will not subscribe for any Fullchamp Offer Share(s) and Taiwan Mayer is granted at maximum 10,000,000 Fullchamp Offer Shares)	
	<i>Number of Fullchamp Shares</i>	<i>%</i>	<i>Number of Fullchamp Shares</i>	<i>%</i>	<i>Number of Fullchamp Shares</i>	<i>%</i>
The Company	16,560,000	51.83	16,560,000	39.48	16,560,000	39.48
Taiwan Mayer*	–	–	–	–	10,000,000	23.84
Other shareholders of Fullchamp	15,388,500	48.17	25,388,500	60.52	15,388,500	36.68
Total	<u>31,948,500</u>	<u>100.00</u>	<u>41,948,500</u>	<u>100.00</u>	<u>41,948,500</u>	<u>100.00</u>

* *Taiwan Mayer is the ultimate controlling shareholder of the Company and indirectly beneficially interested in 75% of the issued share capital of the Company as at the date of this announcement.*

The Directors confirmed that, apart from the Company, there is no other shareholder holding 10% or more of the issued share capital of Fullchamp as at the date of this announcement.

Reasons for the Disposal

The Group is principally engaged in the processing and manufacturing different kinds of steel sheets and steel pipes which are used by its customers in the manufacture of computing, consumer electronics and communication products, sports equipment, as well as spare parts of household appliances and motor vehicles mainly for the overseas markets through indirect export sales.

Fullchamp has been suffering from net losses for the year ended 31 December 2004 and 31 December 2005 respectively, as Fullchamp is still in the development stage of its business and in the process of securing its sales orders. The Directors are confident in the future prospect of Fullchamp, based on the belief that there is an increasing market demand for aluminum forged-spun wheels in the motor vehicles making industry and the high quality production facilities of Fullchamp. However, the Board considers that, by not participating in the Fullchamp Share Offer, the Company could not only recognize a deemed gain of approximately NT\$19,190,000 (approximately HK\$4,726,000), but also retain a beneficial interest of approximately 39.48% in Fullchamp and continue to consolidate the financials of Fullchamp into its accounts. Accordingly, the future possible success of Fullchamp can still be shared by the Company.

Furthermore, the Board believes that by retaining a substantial amount of cash for investing in other more profitable, high yielding investments would provide the greatest value to the Shareholders, and thus is in the interests to the Company and the Shareholders as a whole.

Following the Disposal, Fullchamp will remain as a subsidiary of the Company as the Company continues to be the controlling shareholder of Fullchamp. The board of directors of Fullchamp currently comprises of five directors and two supervisors, of which four directors and one supervisor are representatives appointed by Sunbeam, a wholly owned subsidiary of the Company. The Directors has no current intention to effect any change to the board composition upon completion of the Fullchamp Share Offer. The Directors were advised that Taiwan Mayer will not nominate any directors to the board of Fullchamp upon completion of the Fullchamp Share Offer.

The Directors are of the view that, should Taiwan Mayer become a substantial shareholder of Fullchamp upon the completion of the Fullchamp Share Offer, Fullchamp becomes a passive investment to Taiwan Mayer in which Taiwan Mayer would not directly participate in its board or its management. Accordingly, the Directors believe that there will be no competition between the Company and Taiwan Mayer as both of them invest in the aluminum alloy wheels industry through their respective holdings in Fullchamp.

Financial effects of the Disposal on the Company

As at 31 December 2005, the net asset value of Fullchamp is NT\$264,910,000 (approximately HK\$65,248,000). Based on Fullchamp's unaudited accounts for the period from 1 January 2006 to 30 April 2006 as provided by the management of Fullchamp, Fullchamp recorded a net loss of NT\$20,895,000 (approximately HK\$5,146,000) and its net asset value is NT\$244,015,000 (approximately HK\$60,101,000) as at 30 April 2006. Should the Fullchamp Share Offer be completed as stipulated, the corresponding net asset value for 12.36% of interest in Fullchamp, of which the Company is deemed to dispose of, is approximately NT\$30,160,000 (approximately HK\$7,428,000). The consideration deemed to be received by the Company under the Fullchamp Share Offer is NT\$49,350,000 (approximately HK\$12,155,000). Accordingly, the deemed gain is approximately NT\$19,190,000 (approximately HK\$4,726,000).

Possible Continuing Connected Transactions

As Taiwan Mayer is indirectly beneficially interested in 75% of the issued share capital of the Company, it is regarded as a connected person of the Company of the Listing Rules. Should Taiwan Mayer become a shareholder of 10% or more of the equity interest in Fullchamp after completion of the Fullchamp Share Offer, Fullchamp may also become a connected person of the Company under Rule 14A.11(5). In such a case, the following existing and proposed transactions on a continued basis between the Company and Fullchamp would fall within the definition of continuing connected transactions under the Listing Rules.

The Aluminum Alloy Supply Agreement and the New Aluminum Alloy Supply Agreement

On 30 September 2005, the Company and Fullchamp entered into an Aluminum Alloy Supply Agreement, pursuant to which the Company agreed to supply to Fullchamp aluminum alloys on a continual basis at a contracted markup on an average monthly price quoted from LME plus premium requested by the supplier(s) for a period from 1 October 2005 to 30 September 2006. The Company intends to renew this agreement after its expiration on 30 September 2006 by entering into the New Aluminum Alloy Supply Agreement, the terms of which is closely matched with the Aluminum Alloy Supply Agreement. By virtue of 14A.41, the Company is subject to the reporting and disclosure

requirements in respect of the Aluminum Alloy Supply Agreement, considering that Fullchamp may become a connected person after completion of the Fullchamp Share Offer, and the entering into the New Aluminum Alloy Supply Agreement is subject to the reporting and disclosure and Independent Shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules.

The New Aluminum Alloy Supply Agreement

Parties: The Company as supplier of aluminum alloys and Fullchamp as purchaser of aluminium alloys

Subject: Pursuant to the New Aluminum Alloy Supply Agreement, Fullchamp will purchase aluminum alloys from the Company

Term: The New Aluminum Alloy Supply Agreement has a fixed term commencing from 1 October 2006 to 31 December 2006 (both dates inclusive)

Price: at a contracted markup on an average monthly price quoted from LME plus a premium within ranges of prices requested by the supplier(s) of the Company from time to time

The followings are proposed annual caps for approval by Independent Shareholders in the EGM:

	Proposed cap.	Basis for the cap.
From July 2006 to December 2006	US\$7,500,000 (equivalent to approximately HK\$58,500,000)	average historical monthly purchase amount of aluminum alloy by Fullchamp from the Company (from January to April 2006) times 6 months, plus a currency exchange buffer
From January 2007 to December 2007	US\$20,000,000 (equivalent to approximately HK\$156,000,000)	assumed a 33%* annual growth rate based on 2006 proposed cap for the whole year
From January 2008 to December 2008	US\$25,000,000 (equivalent to approximately HK\$195,000,000)	assumed a 25%* annual growth rate on 2007 proposed cap

* the 33% growth rate is based on the average growth rate of the industry and the assumption that the additional fixed assets purchased with the proceeds from Fullchamp Share Offer will increase the production volume and hence the required purchases from the Company, whereas the 25% is arrived at assuming an 20% average industry growth rate plus a company forecasted organic growth rate.

General

As mentioned above, both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminium Alloy Supply Agreement are subject to approval by the Independent Shareholders' at the EGM. Taiwan Mayer and its associate shall abstain from voting on the relevant ordinary resolutions to be passed at the EGM.

The Independent Board Committee will be formed to advise the Independent Shareholders on the possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminium Alloy Supply Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the possible connected transaction and the possible continuing connected transaction as stipulated above.

A circular, containing amongst other things, further details in relation to the Fullchamp Share Offer, the Disposal, the possible issuance of Fullchamp Offer Shares to Taiwan Mayer, the New Aluminium Alloy Supply Agreement, a notice convening the EGM, the advice letter from the Independent Board Committee and the advice letter from the independent financial adviser on the possible connected transaction and continuing connected transaction as stipulated above, will be despatched to the Shareholders as soon as practicable.

Definitions:

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

“Aluminum Alloy Supply Agreement”	an agreement dated 30 September 2005 entered into between the Company and Fullchamp pursuant to which the Company agreed to supply Fullchamp aluminum alloy on a continual basis at a contracted markup on an average monthly price quoted from LME plus premium requested by the supplier(s) for a period from 1 October 2005 to 30 September 2006
“Board”	the board of Directors
“Company”	Mayer Holdings Limited and the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Disposal”	the deemed disposal of interest in Fullchamp by the Company upon completion of the Fullchamp Share Offer
“EGM”	extraordinary general meeting of the Company to be convened to approve the possible issuance of a maximum of 10,000,000 Fullchamp Offer Shares to Taiwan Mayer and the New Aluminium Alloy Supply Agreement
“Fullchamp”	Fullchamp Technologies Co., Ltd. (富成金屬科技股份有限公司), a company established under the laws of the Republic of China
“Fullchamp Offer Share(s)”	Fullchamp Share(s) to be issued under the Fullchamp Share Offer
“Fullchamp Shares”	shares of Fullchamp
“Fullchamp Share Offer”	new issues of a total of 10,000,000 Fullchamp Offer Shares at a price of NT\$12.5 per share by Fullchamp to existing eligible shareholder(s) and employee(s) of Fullchamp
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee comprising the independent Directors to advise the Independent Shareholders in respect of the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement
“Independent Shareholders”	shareholders of the Company other than Taiwan Mayer
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LME”	London Metal Exchange
“New Aluminum Alloy Supply Agreement”	the agreement to be entered into between the Company and Fullchamp, intended to be the renewal of the Aluminum Alloy Supply Agreement upon its expiration on 30 September 2006
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sunbeam”	Sunbeam Group Limited, a company incorporated in British Virgin Islands and a wholly owned subsidiary of the Company
“Taiwan Mayer”	Mayer Steel Pipe Corporation, the ultimate controlling shareholder of the Company, a company incorporated in Taiwan, whose shares are listed on the Taiwan Stock Exchange Corporation
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“NT\$”	New Taiwanese dollars, the lawful currency of the Republic of China
“US\$”	United States dollar, the lawful currency of United States
“%”	per cent.

In this announcement, amounts in NT\$ have been translated into approximately HK\$ at 0.2463; amounts in US\$ have been translated into approximately HK\$ at 7.80.

By Order of the Board
Mayer Holdings Limited
Lai Yueh-hsing
Chairman

Hong Kong, 26 May 2006

As at the date of this announcement, Mr. Lai Yueh-hsing, Mr. Lo Haw, Mr. Shen Heng-chiang, Mr. Wu Kuo-lung, Mr. Cheng Dar-terng and Mr. Chiang Jen-chin are the executive Directors; Mr. Hsiao Ming-chih, and Mr. Huang Chun-fa are the non-executive Directors; Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu are the Independent Non-executive Directors.

* *For identification purpose only*