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If you have sold or transferred all your shares in Mayer 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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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 TRANSACTION
DEEMED DISPOSAL OF INTEREST IN FULLCHAMP
AND
POSSIBLE CONTINUING CONNECTED TRANSACTION**

Financial Advisor



South China Capital Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of Mayer Holdings Limited**



KGI CAPITAL ASIA LIMITED

KGI Capital Asia Limited

A letter from the board of directors of Mayer Holdings Limited is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee of Mayer Holdings Limited is set out on page 13 of this circular. A letter from KGI containing its advice to the independent board committee and the Independent Shareholders of Mayer Holdings Limited is set out on pages 14 to 25 of this circular.

A notice convening the EGM of Mayer Holdings Limited to be held at Room 501, 5th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong on Friday, 30 June 2006 at 3:30 p.m. is set out on pages 32 to 33 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* For identification purpose only

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DEFINITIONS

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

“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
“business day”	a day (other than a Saturday or Sunday) on which banks are open for business in Taipei, London and New York
“Company”	Mayer Holdings Limited and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1116)
“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 on 30 June 2006 to approve the possible issuance of a maximum of 10,000,000 Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum 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 Share(s)”	share(s) of NT\$10 (equivalent to approximately HK\$2.5) in the capital of Fullchamp
“Fullchamp Share Offer”	new issue 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, and if underscribed, to other investor(s) at the discretion of the board of directors of Fullchamp

DEFINITIONS

“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee comprising the independent non-executive 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
“KGI”	KGI Capital Asia Limited, a licensed corporation to carry out types 1, 4 and 6 regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the possible connected transaction in relation to the issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement
“Latest Practicable Date”	7 June 2006, being the latest practicable date for ascertaining certain information referred to this circular prior to the printing of this circular
“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
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“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

DEFINITIONS

“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 dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China
“NT\$”	New Taiwanese dollars, the lawful currency of the Republic of China
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular and unless otherwise stated, all amounts denominated in NT\$ and US\$ have been translated (for information only) into HK\$ using the exchange rates of NT\$1.00: HK\$0.2463 and US\$1.00: HK\$7.8. Such translation shall not be construed as a representation that amounts of NT\$ and US\$ were or may have been converted.

LETTER FROM THE BOARD



美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

Executive Directors

Mr. Lai Yueh-hsing
Mr. Lo Haw
Mr. Shen Heng-chiang
Mr. Wu Kuo-lung
Mr. Cheng Dar-terng
Mr. Chiang Jen-chin

Non-executive Directors

Mr. Hsiao Ming-chih
Mr. Huang Chun-fa

Independent Non-executive Directors

Mr. Lin Sheng-bin
Mr. Huang Jui-hsiang
Mr. Alvin Chiu

Registered Office:

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Office in Hong Kong:

501, 5/F, Aon China Building
29 Queen's Road Central
Hong Kong

12 June 2006

To the Shareholders

Dear Sir or Madam,

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

BACKGROUND

The Board announced on 26 May 2006 that the board of directors of Fullchamp had approved the issue of 10,000,000 new Fullchamp Shares on 25 May 2006, 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).

* For identification purpose only

LETTER FROM THE BOARD

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 Fullchamp 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\$3.08 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)

LETTER FROM THE BOARD

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 approximately NT\$123 million (approximately HK\$30.3 million). 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.

LETTER FROM THE BOARD

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	31,948,500	100.00	41,948,500	100.00	41,948,500	100.00

* 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 Latest Practicable Date.

LETTER FROM THE BOARD

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 Latest Practicable Date.

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\$19.0 million (approximately HK\$4.7 million), 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. Thus, the executive Directors and the non-executive Directors consider the Disposal 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 does not currently intend to 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.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL ON THE COMPANY

As at 31 December 2005, the net asset value of Fullchamp is approximately NT\$264.9 million (approximately HK\$65.2 million). 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 approximately NT\$20.9 million (approximately HK\$5.1 million) and its net asset value is estimated to be NT\$244.0 million (approximately HK\$60.1 million) 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\$30.1 million (approximately HK\$7.4 million). The consideration deemed to be received by the Company under the Fullchamp Share Offer is NT\$49.3 million (approximately HK\$12.2 million). Accordingly, the deemed gain is approximately NT\$19.0 million (approximately HK\$4.7 million).

POSSIBLE CONTINUING CONNECTED TRANSACTION

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 trading transactions between the Company and Fullchamp

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.

LETTER FROM THE BOARD

The New Aluminum Alloy Supply Agreement

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

LETTER FROM THE BOARD

THE EGM

The EGM will be held to consider and, if thought fit, passing of the resolutions to approve the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement.

Set out on pages 32 to 33 of this circular is the notice for the convening of the EGM to be held at Room 501, 5th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong on Friday, 30 June 2006 at 3:30 p.m. at which resolutions will be proposed for the approval of (i) the possible issuance of Fullchamp Offer Shares to Taiwan Mayer, and (2) the New Aluminum Alloy Supply Agreement.

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.

There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Taiwan Mayer; and (ii) no obligation or entitlement of Taiwan Mayer as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

There is also no discrepancy between the beneficial shareholding interest of Taiwan Mayer in the Company as disclosed in this circular and the numbers of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. If you do not intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, the address being Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM. Delivery of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

RECOMMENDATIONS

The Independent Board Committee has been 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. KGI has been 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.

The text of the letter of advice from KGI to the Independent Board Committee containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 14 to 25 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of KGI, consider that both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the shareholders as a whole. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement. The text of the letter from the Independent Board Committee is set out on page 13 of this circular.

The Shareholders who are eligible to vote at the EGM are urged to read the letters from KGI and the Independent Board Committee before making a decision as to how to vote at the EGM.

The Directors consider that both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the texts of the letters from the Independent Board Committee and KGI containing their respective recommendations and opinions regarding both the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement and the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Mayer Holdings Limited
LAI Yueh-hsing
Chairman



美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

12 June 2006

To: *The Independent Shareholders of the Company*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to the Shareholders dated 12 June 2006 (the “Circular”) of which this letter forms part. Unless the context otherwise defines terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement are fair and reasonable so far as the Shareholders are concerned.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 12 and the letter from KGI as set out on pages 14 to 25 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice of KGI as set out in its letter of advice, we consider that possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement are in the interest of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote for the relevant ordinary resolutions which will be proposed at the EGM to approve the possible issuance of Fullchamp Offer Shares to Taiwan Mayer and the New Aluminum Alloy Supply Agreement.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Lin Sheng-bin

Huang Jui-hsiang

Alvin Chiu

Independent Non-executive Directors

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of the letter of advice from KGI Capital Asia Limited to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.



KGI CAPITAL ASIA LIMITED

27/F ICBC Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Tel: 2970 0100
Fax: 2970 0080

12 June 2006

To the Independent Board Committee and Independent Shareholders

Mayer Holdings Limited
501, 5/F, Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

**(I) POSSIBLE CONNECTED TRANSACTION IN RESPECT OF
THE POSSIBLE ISSUANCE OF FULLCHAMP OFFER SHARES
(II) POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the (i) possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares; and (ii) possible continuing connected transactions in respect of the New Aluminum Alloy Supply Agreement between Fullchamp and the Company, particulars of which are set out in the "Letter from the Board" (the "Letter") contained in the circular to the Shareholders dated 12 June 2006 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board was 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% upon the completion of the Fullchamp Share Offer. Whereas, the Board was also advised that Taiwan Mayer has the intention to subscribe for up to maximum 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, including the Company and eligible employees of Fullchamp. If the Fullchamp Offer Shares were to be issued to Taiwan Mayer, which is indirectly beneficially interested in 75% of the issued share capital of the Company and it is regarded as a connected person under Rule 14A.11 of the Listing Rules by virtue of it being the controlling Shareholder of the Company, thus it constitutes a possible connected transaction of the Company under the Listing Rules and the issuance of the Fullchamp Offer Shares to Taiwan Mayer will be subject to, among other things, the approval of the Independent Shareholders at the EGM with votes taken by poll.

As Taiwan Mayer is regarded as a connected person of the Company by indirectly holding 75% shares of the issued share capital of the Company under the Listing Rules, and Taiwan Mayer will become a shareholder of 10% or more of the equity interest in Fullchamp upon completion of the Fullchamp Share Offer, Fullchamp may also become a connected person of the Company under Rule 14A.11(5) of the Listing Rules. In such a case, the existing Aluminum Alloy Supply Agreement and the proposed New Aluminum Alloy Supply Agreement on a continued basis between the Company and Fullchamp constitutes a possible continuing connected transactions under the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu being the independent non-executive Directors, has been established to consider the rationales and terms in relation to the (i) possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares; and (ii) possible continuing connected transactions in respect of the New Aluminum Alloy Supply Agreement between Fullchamp and the Company and to advise the Independent Shareholders thereon.

We have been appointed by the Independent Board Committee to advise them as to whether or not the (i) possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares; and (ii) possible continuing connected transactions in respect of the New Aluminum Alloy Supply Agreement between Fullchamp and the Company, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied to a considerable extent on the information, statements, opinion and representations provided to us by the Company and the Directors and we have assumed that all such information, statements, opinions and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

representations contained or referred to in the Circular were true and accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

As required under Rule 13.80 of the Listing Rules, we consider that we have been provided with, we have researched the relevant market information and relevant governing rules, and we have reviewed the fairness, reasonableness and completeness of all assumptions or projections including all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion and recommendation. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information provided or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee, we have taken the following principal factors and reasons into consideration:

1. Background to and rationales of the Fullchamp Share Offer

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

Fullchamp 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. As the directors of Fullchamp believe that Fullchamp is still in a development stage since its incorporation in July 2002, so capital increase is required for business expansion of Fullchamp and continuing to maintain its competitiveness in the market.

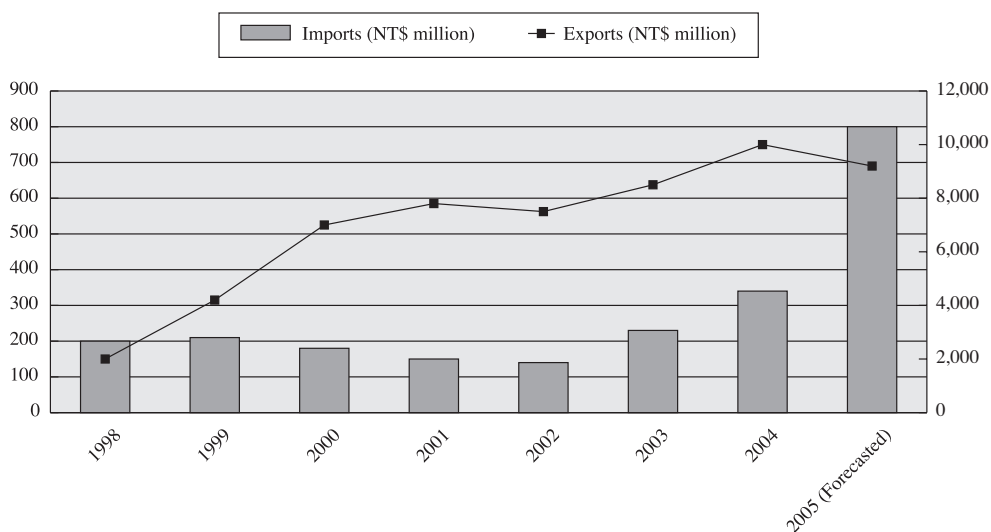
Besides the Fullchamp Share Offer, as stated in the Letter, the directors of Fullchamp have also considered other financing alternatives, such as bank borrowing and instalment loans. However, for the year ended 31 December 2005, the total borrowings and total equity of Fullchamp are approximately NT\$245 million (equivalent to approximately HK\$60 million) and NT\$265 million (equivalent to approximately HK\$65 million) respectively, the debt to equity ratio (i.e. total borrowings/total equity) of Fullchamp is thus approximately 92.49%. The directors of Fullchamp are, therefore, of the view that the debt to equity ratio of Fullchamp will significantly increase as a result

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of additional borrowing, since the interest rate of bank borrowing has been increasing, 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 (equivalent to approximately HK\$30,288,000). According to the directors of Fullchamp, around 90% of the net proceeds will be applied for the purchase of additional production facilities (i.e. vertical lathing machines and vertical milling machines) for enhancing the production capacity so as to capture the market demand growth of aluminum forged wheels in the motor vehicles making industry and the remaining 10% of the net proceeds as the general working capital of Fullchamp.

Based on the statistics released by Industry & Technology Intelligence Services (“ITIS”), which is the technology division of the Ministry of Economic Affairs (MOEA) in Taiwan, the average global annual compounded growth rate on the usage of aluminum parts for every automobile was around 10% during the period from 1999 to 2002. Specifically, the total imports of wheels for automobiles was approximately NT\$340 million (equivalent to approximately HK\$84 million) in 2004, representing an increase of 39% when compared with the previous year, in which aluminum wheels accounted for approximately NT\$240 million (equivalent to approximately HK\$59 million). In view of the total exports, the figure for year 2004 was approximately NT\$10,100 million (equivalent to approximately HK\$2,488 million), representing an increase of 16% when compared with the previous year, in which aluminum wheels accounted for approximately NT\$8,585 million, (equivalent to approximately HK\$2,114 million). The figure set out below illustrates the overall increasing trend of total imports and exports of wheels for automobiles in Taiwan from 1998 to 2005:



Source: ITIS

We, therefore, concur the views of the Directors that the purchase of additional production facilities (i.e. vertical lathing machines and vertical milling machines) is

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necessary for capturing the market demand growth of aluminum forged wheels in the motor vehicles making industry in the future. According to the management of Fullchamp, it is expected that the production capacity will be increased around 30% from the present production capacity, which is around 8,000 units per month on average, upon the purchase of additional production facilities.

Given the fact that bank borrowing or instalment loans will significant increase the debt to equity ratio of Fullchamp, we consider that capital increase by way of Fullchamp Share Offer will improve the financial structure of Fullchamp and application of the net proceeds will increase the production capacity of Fullchamp for capturing the market demand growth of aluminum forged wheels in the future and thus increase its potential revenues, which is fair and reasonable so far as the Independent Shareholders are concerned.

1.2 Offer price of the Fullchamp Share Offer

Under the Fullchamp Share Offer, the offer price is NT\$12.5 per share (equivalent to 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 disclosed in the audited accounts of Fullchamp.

As Fullchamp is a Taiwan-based company and is principally engaged in the design, development and manufacture of aluminum forged and forged-spun wheels for automobiles, we have reviewed eight listed companies in Taiwan Stock Exchange (“TSEC”) and GreTai Securities Market (“GTSM”) respectively with similar businesses in the electric and machinery industry as Fullchamp according to the information provided by the website of TSEC (the “Comparables”). In assessing the fairness of the offer price, we have calculated and reviewed the ratio of the closing price as at 26 May 2006 to the net asset value per shares of the Comparables, and we have compared the calculated ratio of the Comparables with the ratio of the offer price to the net asset value per Fullchamp Shares as set out in the table below:

Company (Stock Code)	TSEC/ GTSM	Offer price/ Closing price as at 26 May 2006 (NT\$)	Net asset value per share as at year ended 31 December 2005 (NT\$)	Ratio (Note 1)
Right Way Industrial Co. Ltd (1506)	TSEC	10.40	10.93	0.95
Jui Li Enterprise Co. Ltd (1512)	TSEC	11.50	12.72	0.90

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Company (Stock Code)	TSEC/ GTSM	Offer price/ Closing price as at 26 May 2006 (NT\$)	Net asset value per share as at 31 December 2005 (NT\$)	Ratio (Note 1)
Taiwan Kai Yih Industrial Co. Ltd (1523)	TSEC	19.70	18.25	1.08
Kian Shen Corporation (1525)	TSEC	25.25	26.02	0.97
China Metal Products Co. Ltd (1532)	TSEC	48.00	23.07	2.08
Mobiletron Electronics Co. Ltd (1533)	TSEC	26.40	16.37	1.61
Yuan Feng Industry Co. Ltd (4502)	GTSM	8.10	11.73	0.69
Chian Hsing Forging Industrial Co. Ltd (4528)	GTSM	12.80	16.25	0.79
Maximum				2.08
Minimum				0.69
Mean				1.13
Median				0.96
Fullchamp	-	12.50	8.29	1.51

Sources: www.yahoo.com.tw and Taiwan Stock Exchange

Note 1. Ratio = closing price as at 26 May 2006 / net asset value as at year ended 31 December 2006

As shown in the table above, the ratio of offer price to the net asset value per Fullchamp Shares (i.e. 1.51 times) is ranked within the ranges between the maximum of 2.08 times and the minimum of 0.69 times among the Comparables, in particular it is a premium to the mean and median of the Comparables which are considerably more favourable to Fullchamp. We therefore consider that the offer price is reasonable which reflects a fair valuation of Fullchamp by the market in general.

1.3 Reasons for the Disposal

Based on the audited financial results of Fullchamp, it has been suffered net losses of approximately NT\$77,593,000 (equivalent to approximately HK\$19,111,000) and NT\$105,595,000 (equivalent to approximately HK\$26,008,000) for the year ended 31 December 2004 and the year ended 31 December 2005 respectively. The Directors believe that the net losses for the year ended 31 December 2004 and 2005 are because Fullchamp is still in the development stage of its business and thus cannot enjoy the economy of scale by the reduction in cost per unit resulting from increased production since the fixed costs in production is still high. We consider that Fullchamp was incorporated in July 2002 and is still in the development stage of its business, the suffering of net losses of Fullchamp for the recent two financial years is reasonable.

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On the other hand, as Fullchamp is still in the development stage of its business, the Directors are of the views that Fullchamp is in the process of securing its sales orders, and are confident in the future prospect of Fullchamp based on the belief that there is an increasing market demand for aluminum forged wheels in the motor vehicles marking industry and the high quality production facilities of Fullchamp. However, the Board considers that, by not participating in the Fullchamp Share Offer, the Company can recognize a deemed gain of approximately NT\$19 million (equivalent to approximately HK\$4.7 million) as calculated in the section headed “Financial effects of the Disposal on the Company” in the Letter.

In addition, upon the dilution because of the Disposal and the completion of Fullchamp Share Offer, a beneficial interest of approximately 39.48% for the Company can be maintained in Fullchamp. The Company continues to be the controlling shareholders of Fullchamp and continues to consolidate the financials of Fullchamp into its accounts as Fullchamp remains as a subsidiary of the Company.

As indicated in the section headed “Offer price of the Fullchamp Share Offer”, the ratio of offer price to the net asset value per Fullchamp Shares (i.e. 1.51 times) is, in particular, higher than the mean and median of the Comparables, the Directors consider that by retaining a substantial amount of cash for investing in other more profitable and high yielding investments can provide the greatest value to the Shareholders.

Furthermore, the Directors are of the view that Taiwan Mayer possibly becomes a substantial shareholder of Fullchamp upon the Disposal and 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 same business, the aluminum alloy wheels industry, through their respective holdings in Fullchamp.

Based on the above, in particular, (1) given the fact that Fullchamp has been suffered net losses recently, the Disposal will allow the Company recognize a deemed gain; (2) the Company can retain as the controlling shareholder of Fullchamp upon the Disposal and completion of Fullchamp Share Offer by continuing to enjoy its future prospect; (3) the Company can retain substantial amount of cash so as to provide other profitable and high yielding investment opportunities to the Company, and thus provides the greatest value to the Shareholders; and (4) the Company can avoid the direct competition with Taiwan Mayer. We are of the opinion that the Disposal is fair and reasonable and it is in the interests to the Company and the Independent Shareholders as a whole.

1.4 Taiwan Mayer's interests in the Fullchamp Share Offer

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.

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According to the Articles 267(iii) of the Company Law of the Republic of China in respect of the issuance of new shares, it states that a company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares in proportion respectively to their original shareholding and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. New shares left unsubscribed by original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation. As at the Latest Practicable Date, the result of the Fullchamp Share Offer is not yet to be known, but the Board is advised that Taiwan Mayer has already indicated its interests to subscribe the Fullchamp Offer Shares if the Fullchamp Offer Shares are under-subscribed.

In addition, According to the Article 267 of the Company Law of the Republic of China in respect of the issuance of new shares, it is not required to consider the offering an excess application to existing shareholders or employees in relation to the Fullchamp Offer Shares before inviting other subscribers including Taiwan Mayer as well as the appointment of a underwriter for fully underwriting the Fullchamp Offer Shares. Therefore, the management of Fullchamp had not considered such arrangement but they confirmed that the existing shareholders or employees can apply excess shares, and the basis of allocation will be determined by the board of directors of Fullchamp after the completion Fullchamp Share Offer. In addition, the management of Fullchamp considers that the appointment of a underwriter will certainly increase the fund raising cost.

Having considered the above rationales in relation to (i) the reasons for the Fullchamp Share Offer and application of the net proceeds; (ii) the favourable offer price of Fullchamp Share Offer to Fullchamp; (iii) the reasons for the Disposal by the Company; and (iv) the fact that the result of the Fullchamp Share Offer is not yet to be known and Taiwan Mayer has already indicated its interests to subscribe the Fullchamp Offer Shares if the Fullchamp Offer Shares are under-subscribed as at the Latest Practicable Date respectively, we are of the views that the possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares to Taiwan Mayer is in the interests of the Company and the Independent Shareholders as a whole.

2. The New Aluminum Alloy Supply Agreement

2.1 Background of the Aluminum Alloy Supply Agreement and the New Aluminum Alloy Supply Agreement

Pursuant to the Aluminum Alloy Supply Agreement, in which the Company and Fullchamp entered on 30 September 2005, agreed to supply to Fullchamp aluminum alloy on a continued 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. Under Rule

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14A.41 of the Listing Rules, by considering that Fullchamp may become a connected person upon the completion of the Fullchamp Share Offer, thus the entering into the New Aluminum Alloy Supply Agreement constitutes a possible continuing connected transaction which is subject to the reporting and disclosure and Independent Shareholders' approval requirements.

2.2 Terms of the New Aluminum Alloy Supply Agreement and reasons for the renewal of Aluminum Alloy Supply Agreement

The major terms and conditions of the New Aluminum Alloy Supply Agreement have been summarised under the section headed "The New Aluminum Alloy Supply Agreement" in the Letter.

As stated in the Letter, the Company, as supplier, will supply aluminum alloy to Fullchamp, as purchaser, for a period commencing from the date of the New Aluminum Alloy Supply Agreement up to and including 31 December 2006 upon the expiration of the existing Aluminum Alloy Supply Agreement on 30 September 2006. The purchase price for the supply of aluminum alloy to be paid by Fullchamp is determined 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, which is negotiated under arms' length basis.

According to the Directors, there is no other similar agreement in respect of the supply of aluminum alloy to other independent parties. However, for assessing the fairness and reasonableness of the terms of the New Aluminum Alloy Supply Agreement, we concur with the views of the Directors that (i) the gross profit margin generated by the New Aluminum Alloy Supply Agreement is approximately 1.5% which is close to the gross profit margin of approximately 3.9% of the Group as disclosed in the annual report of the Group as at the year ended 31 December 2005; and (ii) the Company acts as an arranger for Fullchamp to purchase the required aluminum alloy from the ultimate seller, which is necessary to facilitate the normal business of Fullchamp.

We are therefore of the opinion that the terms and the price of the New Aluminum Alloy Supply Agreement are on normal commercial terms and in the ordinary and normal course of business of the Company by considering (i) the gross profit margin generated by the New Aluminum Alloy Supply Agreement is fair and reasonable; and (ii) the purchase of aluminum alloy is necessary for Fullchamp so as to facilitate its normal business, and thus it is in the interests of the Company and Independent Shareholders as a whole.

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Directors are of the views that the renewal of the existing Aluminum Alloy Supply Agreement by entering into the New Aluminum Alloy Supply Agreement is in the best interests for the Company and Fullchamp, in particular:

- (i) the Directors are confident in the future prospect of Fullchamp, and expect that there will be an increasing market demand for aluminum forged-spun wheels in the motor vehicles making industry, thus the source of revenues to be generated from the New Aluminum Alloy Supply Agreement will be secured for the period from 1 October 2006 to 31 December 2006; and
- (ii) Fullchamp is still in development stage, so it is relatively difficult for Fullchamp to get banking facilities for purchasing the required aluminum alloy in lower cost from other independent suppliers.

Having considered the above, we are of the views that the terms and price of the New Aluminum Alloy Supply Agreement is fair and reasonable and the renewal of existing Aluminum Alloy Supply Agreement by entering the New Aluminum Alloy Supply Agreement is in the best interests for the Company and Fullchamp by securing the source of revenue on the Company and the source of raw materials in relatively low cost on Fullchamp for the period from 1 October 2006 to 31 December 2006, thereby safeguarding the interests of the Company and its Independent Shareholders as a whole.

2.3 Proposed caps amount

According to the existing Aluminum Alloy Supply Agreement, the proposed annual caps for the period from July 2006 to December 2006 is calculated on the basis of the average historical monthly purchase amount of aluminum alloy by Fullchamp from the Company from January 2006 to April 2006 times 6 months plus a currency exchange buffer. Thus the Directors consider that the total proposed cap amount will not exceed US\$7,500,000 (equivalent to approximately HK\$58,500,000) for this period.

For the period from January 2007 to December 2007, the Directors consider that the total proposed caps amount will not exceed US\$20,000,000 (equivalent to approximately HK\$156,000,000), which is based on the Company's projection in respect to the annual growth rate of about 33% on 2006 proposed cap amount for the whole year. The 33% growth rate in 2006 is based on the average growth rate of the industry during the period and the assumption that additional fixed assets have been purchased with the Fullchamp Share Offer proceeds increase the production volume and hence the demand of required purchases from the Company increases.

For the period from January 2008 to December 2008, the Directors consider that the total proposed caps amount will not exceed US\$25,000,000 (equivalent to approximately HK\$195,000,000), which is based on the Company's projection in respect to the annual growth rate of about 25% on 2007 proposed cap amount for the whole year. The 25% growth rate is arrived at assuming an 20% average industry growth rate plus a forecasted organic growth rate by the Company.

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Based on the research article released by ITIS on 28 December 2005, it is forecasted that the demand for aluminum alloy used in the production of wheels for automobiles in the global market will increase approximately 33% till 2010. Therefore, we consider that the basis of the assumption for the proposed caps amount in relation to the growth rate of the industry in 2006 and 2007 respectively are reasonable.

Below set out the proposed annual caps for the period from July 2006 to December 2006, from January 2007 to December 2007 and January 2008 to December 2008 respectively:

	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 based on 2007 proposed cap for the whole year

We have reviewed the research article released by ITIS, all the invoices given from the Company to Fullchamp from January to April 2006, profits forecasts prepared by the management of Fullchamp and the demand projection prepared by the Company, in view of the forecasted market growth of the industry and the expected business growth of the Company, we consider that the proposed caps amount for the supply of aluminum alloy by Fullchamp from the Company for the periods from July 2006 to December 2006, from January 2007 to December 2007 and from January 2008 to December 2008 respectively does offer greater flexibility to the Company and is fair and reasonable.

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RECOMMENDATION

Having considered the above principal factors and reasons, in particular regarding (1) the reasons for the Fullchamp Share Offer and application of the net proceeds; (2) the offer price of the Fullchamp Share Offer; (3) the reasons for the Disposal; (4) Taiwan Mayer's interests in the Fullchamp Share Offer; (5) background of the Aluminum Alloy Supply Agreement and the New Aluminum Alloy Supply Agreement; (6) the terms of the New Aluminum Alloy Supply Agreement and the reasons for the renewal of Aluminum Alloy Supply Agreement; and (7) the proposed caps amount, we are of the views that the (i) possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares; and (ii) possible continuing connected transactions in respect of the New Aluminum Alloy Supply Agreement between Fullchamp and the Company are fair and reasonable so far as the interests of the Independent Shareholders are concerned and are in the best interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the (i) possible connected transaction in respect of the possible issuance of Fullchamp Offer Shares; and (ii) possible continuing connected transactions in respect of the New Aluminum Alloy Supply Agreement between Fullchamp and the Company that will be proposed at the EGM.

Yours faithfully,

For and on behalf of
KGI Capital Asia Limited

Laurent Leung
Director

Johnny Lu
Assistant Vice President

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 jointly and severally accept responsibility for the accuracy of the information contained in this circular in relation to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies of the Listing Rules were as follows:

(I) *Taiwan Mayer*

Name of Director	Number of ordinary shares in Taiwan Mayer					Approximate % of shareholding
	Personal	Family	Corporate	Other	Total	
Lo Haw	171,311	923	8,829,200	–	9,001,434	6.55%
Chang Dar-terng	973,769	29,298	–	–	1,003,067	0.73%
Chiang Jen-chin	792	–	–	–	792	0.00%
Shen Heng-chiang	–	3,000	–	–	3,000	0.00%
Wu Kuo-lung	3,141,164	49,607	–	–	3,190,771	2.32%

(II) *Guangzhou Mayer*

Name of Director	Number of ordinary shares in Guangzhou Mayer					Approximate % of shareholding
	Personal	Family	Corporate	Other	Total	
Lo Haw	-	-	8,160,000	-	8,160,000	6.40%

Save as disclosed above and so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) for which (a) notification shall be given to the Company or the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors and chief executives are supposed or deemed to be holding or owning pursuant to the provisions of the SFO); or (b) registration shall be made in the register in accordance with Section 352 of the SFO; or (c) notification shall be made to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

- (b) As at the Latest Practicable Date, so far as are known to the Directors, interests or short positions held by any individual or company, other than the Directors or chief executive of the Company, for which disclosure shall be made to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or any beneficial interests representing 5% or more of the issued share capital of the Company directly or indirectly which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholder	Number of Shares held	Percentage of shareholding
Taiwan Mayer (<i>Note</i>)	300,000,000	75%
Mayer Corporation Development International Limited	300,000,000	75%

Note: Mayer Corporation Development International Limited (“Mayer Corporation”) is a wholly owned subsidiary of Taiwan Mayer. Taiwan Mayer is deemed to be interested in the 300,000,000 Shares held by Mayer Corporation Development International Limited under the SFO.

Saved as disclosed above, as far as the Directors are aware, as at the Latest Practicable Date, there was no other person who was required under the provisions of Divisions 2 and 3 of Part XV of the SFO to make disclosure to the Company for any interests or short positions in shares, relevant shares and debentures, or who owns any beneficial interests representing 5% or more of any class of shares or warrants or attached with a right to vote at any of the Shareholders’ general meeting.

- (c) As at the Latest Practicable Date, so far as are known to the Directors, there was no other person who is directly or indirectly, interested in 10% or more of the equity interest carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company commencing from the listing date of the Company on 21 June 2004 for an initial term of 1 year respectively and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. Under the service agreements, Mr. Lo Haw and Mr. Shen Heng-chiang is entitled to an annual fee of HK\$350,000 and HK\$434,000 respectively and each of the other four executive Directors is entitled to an annual fee of HK\$180,000.

Each of the non-executive Directors is appointed for an initial term of 1 year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. Each of the non-executive Directors is entitled to an annual fee of HK\$100,000. Each of the executive and non-executive Directors is entitled to a discretionary bonus as determined by the Board provided that the total amount of bonuses payable to all the executive and non-executive Directors for such year shall not exceed 5% of the audited consolidated profit after taxation and minority interests but before extraordinary items of the Group (if any) for the relevant year.

Each of the independent non-executive Directors is appointed for an initial term of 1 year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. The aggregate annual fees payable to the independent non-executive Directors is HK\$288,000 per year.

Save as set out above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. CONSENT OF EXPERT

KGI is a licensed corporation under the SFO to perform types 1,4 and 6 of the regulated activities (as defined under the SFO). It does not hold any shares in any member company of the Group nor does it has any right to subscribe for or to nominate any other person to subscribe for the securities of any member company of the Group (regardless of whether it is exercisable from a legal point of view.)

KGI has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they are respectively included.

6. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular:

- (a) a deed of non-competition and business opportunity option dated 9 June 2004, given by Taiwan Mayer in favour of the Company (for itself and as trustee for its subsidiaries) under which Taiwan Mayer has irrevocably undertaken, among other things, (i) not to engage in any business, which competes or is likely to compete; either directly or indirectly, with the Group's business; and (ii) to grant a business opportunity option to the Company;
- (b) a deed of indemnity dated 9 June 2004 given by Taiwan Mayer and Mayer Corporation in favour of the Group under which each of Taiwan Mayer and Mayer Corporation has given certain indemnities in favour of the Group containing, among other things, the estate duty and tax indemnities; and
- (c) the underwriting and placing agreement dated 9 June 2004 entered into among the Company, Taiwan Mayer, Mayer Corporation, the executive Directors, the joint sponsors, the joint lead managers and the underwriters in respect of the share offer of the Company in June 2004.

7. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

- (a) Mr. Lui Cho Tak is the company secretary of the Company. He is a practicing solicitor in Hong Kong, England and Wales and a partner of a law firm in Hong Kong. Lui graduated and received from the University of Glamorgan a Bachelor Degree in Laws in 1990 and graduated and received from the University of Hong Kong a Postgraduate Certificate in Laws in 1991 and a Master Degree in Laws in 1994.

Mr. Chan Lai Yin, Tommy is the qualified accountant and financial controller of the Group and a member of the senior management of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of American Institute of Certified Public Accountants. Mr. Chan has over 10 years of experience in the audit and accounting field. Prior to joining the Company, he held the posts of financial controller and company secretary of a listed company in Hong Kong.

- (b) The registered office of the Company is situated at P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal office in Hong Kong is situated at 501, 5/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The address of the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) None of the Directors or their respective associates have personal interests in companies engaged in businesses, which compete or may compete with the Group.
- (d) So far as the Company is aware, none of the Directors or KGI had any interests, directly or indirectly, in any assets acquired or sold by or leased to or proposed to be acquired or sold by or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited accounts of the Company were made up.
- (e) There is no contract or arrangement subsisting as at the date of this circular in which a Director is materially interested and which is significant in relation to the business of the Group.
- (f) Pursuant to Article 76 of the Company, a resolution put to vote at a general meeting of the Company shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (i) the Chairman; or
 - (ii) at least five Shareholders present in person or by proxy for the time being entitled to vote at the meeting, or

- (iii) any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.
- (g) The English text of this circular prevails over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 501, 5th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong during normal business hours up to and including 30 June 2006 (being a period of not less than 14 days from the date of this circular):

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (c) the service contracts and the material contracts referred to in paragraphs 3 and 6 in this appendix respectively;
- (d) the letter from KGI, the text of which is set out on pages 14 to 25 of this circular;
- (e) the written consent from KGI referred to in paragraph 5 in this appendix; and
- (f) the Aluminum Alloy Supply Agreement and the New Aluminum Alloy Supply Agreement (in the form to be executed).

NOTICE OF EXTRAORDINARY GENERAL MEETING



美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Mayer Holdings Limited (the “Company”) will be held on Friday, 30 June 2006 at 3:30 p.m. at Room 501, 5th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**, subject to the undersubscription of the Fullchamp Offer Shares (as defined in the circular of the Company issued on 12 June 2006 (the “Circular”) a copy of which has been produced to the EGM marked “A” and signed by the chairman of the meeting for the purpose of identification) and the board of Fullchamp Technologies Co., Limited (“Fullchamp”) exercise its right to allocate the unsubscribed Fullchamp Offer Shares to investors other than the existing shareholders of Fullchamp and eligible employees of Fullchamp, the issuance of the Fullchamp Offer Shares to Mayer Steel Pipe Corporation, a company incorporated in Taiwan, be and is hereby approved in all respects and that all the transactions contemplated therein be and are hereby approved; and further that the directors of the Company (the “Directors”) be and are hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to give effect to the terms of, or the transactions contemplated by, the issuance of Fullchamp Offer Shares to Mayer Steel Pipe Corporation and to agree such variations, amendments, supplements or waivers of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company.”
2. **“THAT**, subject to the passing of resolution number 1 as set out in this notice of the extraordinary general meeting, the completion of the Fullchamp Share Offer and the issue and allotment of the Fullchamp Offer Shares to Mayer Steel Pipe Corporation, the agreement to be entered into between the Company and Fullchamp (the “New Aluminum Alloy Supply Agreement”) pursuant to which, the Company agreed to supply to Fullchamp aluminum alloys on a continual basis for a period from 1 October 2006 to 31 December 2008 (a copy of which has been produced to the EGM marked “B” and is signed by the chairman of the meeting for the purpose of identification) and the proposed annual caps to the New Aluminum Alloy Supply Agreement, the details of which are set out in the Circular, be and are hereby

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

approved, ratified and confirmed; and that any one director of the Company be and is hereby authorised to do all such acts and things as may be considered necessary or expedient in his absolute discretion to implement the New Aluminum Alloy Supply Agreement.”

By order of the Board
Lai Yueh-hsing
Chairman

Hong Kong, 12 June 2006

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be completed and returned in accordance with the instructions printed thereon.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
4. The resolutions will be voted by way of poll.

As at the date hereof, the executive Directors of the Company are Lai Yueh-hsing, Lo Haw, Shen Heng-chiang, Wu Kuo-lung, Cheng Dar-ternng, Chiang Jen-chin, the non-executive Directors of the Company are Hsiao Ming-chih, Huang Chun-fa and the independent non-executive Directors are Lin Sheng-bin, Huang Jui-hsiang and Alvin Chiu.