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巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3336)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser



SinoPac Securities (Asia) Limited

Independent Financial Adviser

to the Independent Board Committee and the independent Shareholders



SOMERLEY LIMITED

A letter from the Board is set out on pages 4 to 9 of this circular.

A letter from the Independent Board Committee to the independent Shareholders containing its recommendations in relation to, among other matters, the Master Sales Agreement, the Continuing Connected Transactions and the annual caps relating thereto is set out on pages 10 to 11 of this circular.

A letter from Somerley, the independent financial adviser to the Independent Board Committee and the independent Shareholders, containing its advice in connection with, among other matters, the Master Sales Agreement, the Continuing Connected Transactions and the annual caps relating thereto is set out on pages 12 to 19 of this circular.

18 April 2006

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DEFINITIONS

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

“Acquisition”	the acquisition of 70% interest in the share capital of Mindforce by Giant Glory
“Board”	the board of Directors
“CAGR”	compound annual growth rate
“Cheng Family Trust”	the family trust founded by Mr. Cheng Li-Yu, the beneficiaries of which include Mr. Cheng Li-Yen, Mr. Cheng Li-Yu and certain of their respective family members
“Company”	Ju Teng International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	the connected transactions in relation to the sales of the Products by the Group to Wistron and the other members of the Wistron Group, details of which are set out in the section headed “Master Sales Agreement” in the letter from the Board as set out in this circular
“Director(s)”	the director(s) of the Company
“Extrawell”	Extrawell Developments Limited, a company incorporated in Samoa on 25 October 2000, being one of the substantial Shareholders
“Giant Glory”	Giant Glory International Limited, a company incorporated under the laws of Samoa and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the independent Shareholders in relation to, among other matters, the Master Sales Agreement, the Continuing Connected Transactions and the annual caps relating thereto, which comprises the three independent non-executive Directors, namely Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Lo Ching Pong
“Independent Third Party(ies)”	independent third party or parties and its/their ultimate beneficial owner(s) who is/are independent to the Company and is/are not the connected person(s) of the Company
“Latest Practicable Date”	13 April 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the master sales agreement dated 27 March 2006 and entered into between Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of the Wistron Group) in relation to the sales of the Products by the Group to the Wistron Group
“Mindforce”	Mindforce Holdings Limited, a company incorporated in the British Virgin Islands which was beneficially owned as to 70% by Giant Glory and beneficially and indirectly owned as to 30% by Wistron immediately after completion of the Acquisition
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	Casings for electronic products and related materials manufactured and/or supplied by the Group
“SFO”	Securities and Futures Ordinance (cap 571, laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Somerley”	Somerley Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and independent Shareholders in connection with, among other matters, the Master Sales Agreement, the Continuing Connected Transactions and the annual caps relating thereto
“Southern Asia”	Southern Asia Management Limited, a Company incorporated in Samoa on 8 August 2000, being one of the substantial Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Wistron”	Wistron Corporation, a company incorporated under the laws of the Republic of China and an indirect substantial shareholder of Mindforce
“Wistron Group”	collectively, Wistron and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3336)

Executive Directors:

Mr. Cheng Li-Yu
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Tsui Yung Kwok

Non-executive Director:

Mr. Horng Tsai-Chin

Independent Non-executive Directors:

Mr. Yu Chwo-Ming
Mr. Tsai Wen-Yu
Mr. Lo Ching Pong

Registered office:

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18 April 2006

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 28 March 2006, the Company announced that Giant Glory (for itself and on behalf of the other members of the Group), which is a wholly-owned subsidiary of the Company, entered into the Master Sales Agreement with Wistron (for itself and on behalf of the other members of the Wistron Group) on 27 March 2006.

Since Wistron is a connected person of the Company under the Listing Rules by virtue of it being an indirect substantial shareholder of Mindforce, a company indirectly owned as to 70% by the Company, the transactions contemplated under the Master Sales Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other information, (i) a letter from the Board containing further details of the Master Sales Agreement, the Continuing Connected Transactions and the proposed annual caps relating thereto; (ii) the letter of advice from Somerley, the independent financial adviser to the Independent Board Committee and the independent Shareholders; and (iii) the letter of advice from the Independent Board Committee to the independent Shareholders.

MASTER SALES AGREEMENT

Date : 27 March 2006

Parties : Giant Glory (for itself and on behalf of the other members of the Group),
as supplier

Wistron (for itself and on behalf of the other members of the Wistron Group), as purchaser

Pursuant to the Master Sales Agreement, the Group agreed to sell the Products to Wistron or other members of the Wistron Group at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of the other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to Independent Third Party. The Master Sales Agreement is for a period from 27 March 2006 to 31 December 2008 unless terminated earlier according to the terms and conditions of the Master Sales Agreement.

The terms of the Master Sales Agreement were arrived at after arm's length negotiation between the Group and Wistron and are fair and reasonable so far as the Group and the Shareholders are concerned.

ANNUAL CAPS

The annual caps for the consideration receivable by the Group from Wistron Group for the sales of the Products under the Master Sales Agreement are expected to be (i) HK\$585 million for the period from 27 March 2006 to 31 December 2006; (ii) HK\$780 million for the year ending 31 December 2007; and (iii) HK\$1,170 million for the year ending 31 December 2008.

The annual monetary caps were concluded by reference to the following:

- (1) the historical sales of the Products to Wistron and other members of the Wistron Group;
- (2) the actual sales to Wistron Group in the amount of approximately HK\$61.2 million for the two months ended 28 February 2006;
- (3) orders under negotiation and pending confirmation from Wistron Group as at the date of the announcement of the Company dated 27 March 2006;

LETTER FROM THE BOARD

- (4) the new orders from the production plants of Wistron, which have been relocated to the PRC since 2005 and have not previously sourced the Products from the Group before entering into the PRC;
- (5) the new orders obtained by the production plant of the PRC subsidiary of Mindforce, the construction of which is expected to be completed in the second half of 2006; and
- (6) the projected rate of growth of Wistron Group after taking into account the expected increase in global demand for notebook computers with reference to the estimation by International Data Group for the industry growth at CAGR of approximately 18% from 2004 to 2009.

In the event that the aggregate consideration receivable by the Group under the Master Sales Agreement would exceed the annual caps for the period from 27 March 2006 to 31 December 2006, and the years ending 31 December 2007 and 31 December 2008, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE MASTER SALES AGREEMENT

As those Products sold by the Group to Wistron and other members of the Wistron Group are principally parts and components of notebook computer casings which are manufactured by using the metallic stamping moulds and plastic injection moulds solely owned by the Group, Wistron and other members of the Wistron Group can purchase such designated parts and components of these notebook computer casings from the Group only. After the completion of the Acquisition, the Group has also become a major notebook computer casings supplier to Wistron.

Having regard to the expected growth in demand for notebook computers, the Directors consider that the Group will benefit from the Continuing Connected Transactions and the Master Sales Agreement for the further enhancement of the Group's client portfolio.

The Directors (including the independent non-executive Directors) are of the opinion that (i) the Continuing Connected Transactions and the Master Sales Agreement have been entered into in the usual and ordinary course of business of the Group; (ii) the terms and conditions of the Master Sales Agreement have been negotiated, and will be conducted, on an arm's length basis and on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the expected annual caps for the sales of the Products to Wistron or any other members of the Wistron Group for the period from 27 March 2006 to 31 December 2008 as referred to above are fair and reasonable.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS AND WRITTEN SHAREHOLDERS' APPROVAL

On 23 January 2006, the Group acquired 70% interests in the share capital of Mindforce from an Independent Third Party and immediately after the completion of the Acquisition, Mindforce became a non-wholly owned subsidiary of the Company and owned as to 70% beneficially by the Group and 30% beneficially and indirectly by Wistron. Wistron therefore became an indirect substantial shareholder of the Company's subsidiary and therefore, a connected person of the Company under the Listing Rules.

As a result of the Acquisition, the selling of the Products to Wistron Group by the Group constituted connected transactions for the Company under the Listing Rules. For the period from the completion of the Acquisition as at 23 January 2006 to 28 February 2006, the sales by the Group to Wistron Group was approximately HK\$34.4 million.

Since the annual caps for the consideration receivable by the Group under the Master Sales Agreement are expected to result in the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits test ratio) being more than 2.5%, the Continuing Connected Transactions under the Master Sales Agreement constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and such transactions and the annual caps relating thereto are subject to the requirements of disclosure, reporting and approval by the independent Shareholders under Chapter 14A of the Listing Rules.

Under Rule 14A.43 of the Listing Rules, independent Shareholders' approval for the Continuing Connected Transactions may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Continuing Connected Transactions; and (ii) written approval has been obtained from one or more independent Shareholders who in aggregate hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at the general meeting.

So far as the Directors are aware after making reasonable enquires, none of the Shareholders as at the Latest practicable Date had interest in the Continuing Connected Transactions under the Master Sales Agreement and none of them would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Continuing Connected Transactions under the Master Sales Agreement and the annual caps in relation thereto.

Southern Asia, beneficially holding 395,947,439 Shares (equivalent to approximately 39.59% of the issued share capital of the Company), is owned as to approximately 69.09% by Shine Century Assets Corp., the entire issued share capital of which is beneficially owned by Cheng Family Trust. Extrawell, beneficially holding 182,282,174 Shares (equivalent to approximately 18.23% of the issued share capital of the Company), is owned as to approximately 14.25% by Mr. Horng Tsai-Chin, a non-executive Director, and as to approximately 45.08% by the family members of Mr. Horng Tsai-Chin.

LETTER FROM THE BOARD

Southern Asia and Extrawell, being the co-founders of the Group and together beneficially holding approximately 57.82% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approvals for the Continuing Connected Transactions under the Master Sales Agreement and the annual caps relating thereto.

In view of the fulfillment of the requirements under rule 14A.43 of the Listing Rules as mentioned above, the Stock Exchange has granted waiver from strict compliance with the requirements of convening a general meeting to seek independent Shareholders' approval in respect of the Continuing Connected Transactions under the Master Sales Agreement and the annual caps relating thereto. Therefore, no physical general meeting of the Company will be convened for considering, among other matters, the Continuing Connected Transactions under the Master Sale Agreement and the annual caps relating thereto.

GENERAL INFORMATION

The Group has been principally engaged in the manufacturing and sale of notebook computer casings, parts and other related materials. The products of the Group also include casings for LCD PCs, digital cameras and game consoles.

Wistron is a listed company in the Republic of China. Wistron and its subsidiaries are Independent Third Parties prior to the completion of the Acquisition. Wistron and the other members of the Wistron Group are principally engaged in the design and manufacturing of products of information and communication technology and the provision of related services.

Giant Glory, an investment holding company, is principally engaged in the sales of notebook computer casings and trading of production materials for notebook computer casings.

Mindforce is an investment holding company of a wholly-owned enterprise established in the PRC which is principally engaged in the sales and manufacturing of notebook computer casings and related products.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Lo Ching Pong, has been established to advise the independent Shareholders as to the fairness and reasonableness of the terms of the Master Sales Agreement, the Continuing Connected Transactions contemplated thereunder and the annual caps relating thereto, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and Shareholders as a whole. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 10 to 11 of this circular. Your attention is also drawn to the letter of advice from Somerley to the Independent Board Committee and independent Shareholders in respect of the Continuing Connected Transactions under the Master Sales Agreement and the annual caps relating thereto set out on pages 12 to 19 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice from Somerley, considers that the terms of the Continuing Connected Transactions and the annual caps relating thereto are fair and reasonable, and that the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Ju Teng International Holdings Limited
Cheng Li-Yu
Chairman



巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3336)

Members of the Independent

Board Committee:

Mr. Yu Chwo-Ming

Mr. Tsai Wen-Yu

Mr. Lo Ching Pong

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Cayman Islands

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*Head office and principal place
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Suites 3311-3312

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1 Connaught Place

Central

Hong Kong

18 April 2006

To the independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (“**Circular**”) issued by the Company to the Shareholders dated 18 April 2006 of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Master Sales Agreement and to advise you in connection with the Continuing Connected Transactions contemplated thereunder as to whether, in our opinion, their terms and the annual caps relating thereto are fair and reasonable, and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. Somerley has been appointed as the independent financial adviser to advise us and the independent Shareholders in this respect. Details of the Continuing Connected Transactions are set out on pages 12 to 19 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board as set out on pages 4 to 9 of the Circular and the letter of advice from Somerley as set out on pages 12 to 19 of the Circular.

Having considered the principal factors and the reasons considered by, and the advice of, Somerley as set out in its letter of advice, we consider that the terms of the Master Sales Agreement and the annual caps relating thereto are fair and reasonable. We also consider that the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Yu Chwo-Ming

Mr. Tsai Wen-Yu

Mr. Lo Ching Pong

**SOMERLEY LIMITED**

Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

18th April, 2006

*To the Independent Board Committee and
the independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the independent Shareholders in connection with the terms of the Master Sales Agreement relating to the sales of the Products to the Wistron Group by the Group, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 18th April, 2006 (the “Circular”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23rd January, 2006, the Group acquired 70% interest in the share capital of Mindforce from an Independent Third Party. Immediately after completion of the Acquisition, Mindforce became a non-wholly owned subsidiary of the Company which is beneficially owned as to 70% by the Group and beneficially and indirectly owned as to 30% by Wistron. Wistron, through its subsidiary, therefore became a substantial shareholder of the Company’s subsidiary and a connected person of the Company as defined under the Listing Rules. The sales of the Products by the Group to the Wistron Group under the Master Sales Agreement therefore constituted continuing connected transactions for the Company. The annual caps for the Continuing Connected Transactions are expected to exceed 2.5% of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than profits test ratio), the Continuing Connected Transactions therefore constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and such transactions and the annual caps are subject to, among other things, approval of the independent Shareholders by poll at a Shareholders’ meeting.

Pursuant to Rule 14A.43(2) of the Listing Rules, a written approval for the Continuing Connected Transactions under the Master Sales Agreement and the annual caps relating thereto has been obtained from Southern Asia and Extrawell, which, as at the Latest Practicable Date, together beneficially held approximately 57.82% of the issued share capital of the Company.

LETTER FROM SOMERLEY

Neither Southern Asia, Extrawell nor any Shareholders has material interest in the Continuing Connected Transactions, and therefore no Shareholder is required to abstain from voting if the Company were to convene a Shareholders' meeting for the approval of the Continuing Connected Transactions and the annual caps in relation thereto. Having obtained the written approval from Southern Asia and Extrawell, the Company has met the conditions set out in Rule 14A.43 of the Listing Rules. Pursuant to Rule 14A.53 of the Listing Rules, the Company has applied to and has obtained from the Stock Exchange a waiver from strict compliance with the requirement for the Company to hold a Shareholders' meeting and the Stock Exchange has permitted the independent Shareholders' approval to be given in writing in relation to the Continuing Connected Transactions and the annual caps in relation thereto.

The Independent Board Committee, comprising all the independent non-executive Directors, being Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu, and Mr. Lo Ching Pong, has been constituted to consider whether the terms of the Master Sales Agreement and the annual caps are fair and reasonable and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the independent Shareholders in this respect.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the staff of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group and/or of the Wistron Group. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our opinion, we have taken into account the following principal factors and reasons:

1. Background

The Group has been principally engaged in the manufacturing and sale of notebook computer casings, parts and other related materials. The Wistron Group is principally engaged in the design and manufacturing of products of information and communication technology and the provision of related services. The customers of the Wistron Group are original equipment manufacturers for international renowned computer companies. The Wistron Group is one of the Group's major customers and the Group has been selling the Products to the Wistron Group since 2004. In August 2005, the Group entered into a master procurement contract with Wistron for the sales of the Products by the Group to the Wistron Group.

2. Master Sales Agreement

On 27th March, 2006, Giant Glory (for itself and on behalf of the other members of the Group), a wholly-owned subsidiary of the Company, and Wistron (for itself and on behalf of the other members of the Wistron Group) entered into the Master Sales Agreement in respect of the sales of the Products by the Group to the Wistron Group. The Master Sales Agreement is for a period from 27th March, 2006 to 31st December, 2008 unless terminated earlier according to the terms and conditions of the Master Sales Agreement. The Master Sales Agreement superseded and replaced the master procurement contract for similar sales arrangement entered into in August 2005.

Pursuant to the Master Sales Agreement, the Group agreed to supply the Products to the Wistron Group, after arm's length negotiations, on such terms that are no more favourable than those applicable to the sales of the Products by the Group to Independent Third Party. As agreed in the Master Sales Agreement, the terms of the purchase orders to be placed by the Wistron Group, in particular the pricing and the payment terms, will be fixed between the Group and the Wistron Group with reference to the then prevailing market prices and market practices respectively before each purchase order is confirmed from time to time.

Based on our discussions with the management of the Group, we noted that there were no long-term agreements entered into between the Group and Independent Third Parties for sales and purchase of the Products. As advised by the management of the Group, such arrangement enables the Group to maintain flexibility in pricing of the Products due to the frequent changes in market price of the Products and raw materials. We have reviewed and compared the terms, including payment terms other than pricing, under the Master Sales Agreement with the underlying records including sales invoices and customers' purchase orders for the Group's sales to Independent Third Parties. We consider the material terms, including payment terms, of the Master Sales Agreement are similar to those offered by the Group to Independent Third Parties.

Given the actual pricing of the Products will be agreed with reference to the prevailing market prices at the time when the purchase order is placed by the Wistron Group and the pricing of such sale will be no more favourable than those applicable to the sales of the Products to Independent Third Parties as agreed under the Master Sales Agreement, and the major terms of the Master Sale Agreement are similar to those offered by the Group to Independent Third Parties, we are satisfied that the terms of the Master Sales Agreement are no more favourable to the Wistron Group than terms available to Independent Third Parties.

3. Reasons for the Continuing Connected Transactions

For the financial years ended 31st December, 2004 and 31st December, 2005, and the two months ended 28th February, 2006, the sales of the Group to the Wistron Group amounted to approximately HK\$0.3 million, HK\$227.8 million and HK\$61.2 million respectively. Given the sale of the Products to the Wistron Group will continue to be a steady and important source of revenue of the Group and the terms of the Master Sales Agreement, including the payment terms and the pricing, are no more favourable to the Wistron Group than those between the Group and Independent Third Parties, we consider that it is justified for the Group to continue supplying the Products to the Wistron Group.

As stated in the letter from the Board, the Group in January 2006 acquired 70% interest in the share capital of Mindforce, the remaining 30% interest is indirectly held by Wistron. As advised by the Directors, one of the purposes of acquiring Mindforce, together with its subsidiary in the PRC, is to establish a production plant at Kunshan, Jiangsu Province, the PRC because the existing manufacturing centre of the Wistron Group is also located in the vicinity. Short distance between these two production facilities allows higher production efficiency and reduces transportation costs. This is a common approach adopted by counterparts in the industry. Having taken this geographical element into consideration, the Group expects a majority of the new plant's production capacity will be taken up by the orders from Wistron Group.

According to the Company's plan, the construction of the new plant at Kunshan is expected to be completed in late 2006. Trial run will be immediately carried out and the actual production is anticipated to commence in the second quarter of 2007. As advised by the management of the Group, in order to meet the growing demand of the Wistron Group for the Products, the Group intends to expand the production capacity of the new plant, subject to the then market conditions, and if necessary to expand the existing production capacity.

4. Annual caps

The annual caps for the Continuing Connected Transactions proposed by the Directors are (i) HK\$585 million for the period from 27th March, 2006 to 31st December, 2006; (ii) HK\$780 million for the year ending 31st December, 2007; and (iii) HK\$1,170 million for the year ending 31st December, 2008. As described in the letter from the Board, the annual caps are determined by the Directors after taking into account of the following factors:

- (i) the historical sales of the Products to the Wistron Group;
- (ii) the actual sales to the Wistron Group in the amount of approximately HK\$61.2 million for the two months ended 28th February, 2006

LETTER FROM SOMERLEY

- (iii) orders under negotiation and pending confirmation from the Wistron Group as at date of announcement of the Company dated 27th March, 2006;
- (iv) the new orders from the production plants of Wistron, which have been relocated to the PRC since 2005 and have not previously sourced the Products from the Group before entering into the PRC;
- (v) the new orders from the production plant of the PRC subsidiary of Mindforce, the construction of which is expected to be completed in the second half of 2006; and
- (vi) the projected rate of growth of the Wistron Group after taking into account the expected increase in global demand for notebook computers with reference to the estimation by IDG (as defined below) for the industry growth at CAGR of approximately 18% from 2004 to 2009.

To assess whether the basis of the annual caps for each of the relevant period are fair and reasonable, we have considered the following factors:

(a) the annual cap of HK\$585 million for the period from 27th March, 2006 to 31st December, 2006

(i) The Wistron Group's purchase forecast

Co-ordination in production schedules between suppliers and customers is essential in the original equipment manufacturing industry. Customers of the Group, including the Wistron Group, regularly provide their purchase forecasts to the Group in order to enhance production efficiencies of both parties.

According to the number of units to be ordered by the Wistron Group as indicated in the most recent purchase forecast and the prevailing market prices, the Group estimated the sales to the Wistron Group for the period from 27th March, 2006 to 30th June, 2006 will be approximately HK\$202 million.

(ii) Seasonality of the Group's business

In addition, based on our review of the management accounts of the Group for the two years ended 31st December, 2004, the Group's turnover in the second half of the year usually accounted for approximately 60% of its annual turnover. With reference to the actual and forecasted sales to the Wistron Group in the first half of 2006, the Directors estimated the second half sales to the Wistron Group will amount to approximately HK\$383 million.

Based on (i) and (ii) above, we consider that the annual cap of HK\$585 million for the period from 27th March, 2006 to 31st December, 2006 is reasonable.

(b) the annual cap of HK\$780 million for the year ending 31st December, 2007

Based on the aggregate of the actual and expected sales to the Wistron Group for the year ending 31 December 2006 of approximately HK\$650 million, the Group estimates the sales to the Wistron Group for the year ending 31 December 2007 will increase by 20% to approximately HK\$780 million.

(i) Forecast of market growth

In accordance with a forecast of the global demand for notebook computers issued in July 2005 by International Data Group (“IDG”), an international leading technology media, research and event company, it is estimated the quantity and value of the shipment of the industry will grow at CAGR of approximately 18% and 10% respectively from 2004 to 2009.

(ii) Performance of the Wistron Group as compared to the industry average

In the above market forecast, IDG also reported and forecasted that CAGR of the value of shipment of notebook computers from 2002 to 2005 was expected to be approximately 14%. Compared with the financial performances of the Wistron Group for the corresponding years, we noted that the turnover of the Wistron Group had increased at CAGR of approximately 26%, exceeding the industry average by approximately 12% per annum for the same periods.

IDG also predicted the value of shipment of notebook computers will grow at CAGR of approximately 8% for the three years ending 31st December, 2008. Based on the above forecast and the fact that the Wistron Group has outperformed the average market growth by approximately 12%, the Directors anticipate that purchase orders from the Wistron Group will grow at the rate of approximately 20% and the sales to the Wistron Group will reach HK\$780 million for the year ending 31st December, 2007.

Based on (i) and (ii) above, we consider the annual cap of HK\$780 million for the year ending 31st December, 2007 is reasonable.

(c) the annual cap of HK\$1,170 million for the year ending 31st December, 2008

(i) Growth of the market

The total sales of the Group to the Wistron Group by the existing plants and the new plant at Kunshan for the year ending 31st December, 2007 will be approximately HK\$700 million and HK\$80 million respectively. As mentioned in the section headed “Reasons for the Continuing Connected Transactions” above, the new plant is expected to commence operations in the second quarter of 2007. Therefore the projected annualised sales of the new plant to the Wistron Group will be approximately HK\$110 million for the year ending 31 December 2007.

As discussed in the section headed “the annual cap of HK\$780 million for the year ending 31st December, 2007” above, the Directors anticipate the Wistron Group would continue to grow at CAGR of 20%, and the expected sales to the Wistron Group will increase from HK\$810 million (the aggregate of the sales of existing plants of HK\$700 million and the annualised sales of the new plant of HK\$110 million for the year ending 31st December, 2007) to approximately HK\$972 million for the year ending 31st December, 2008.

(ii) Expansion of the new plant

The Board has discussed with the Wistron Group and reached a consensus that if the operation of the new plant turns out satisfactory, they will, subject to the then market conditions, to double the existing production capacity of the new plant. It is also the consensus that the Wistron Group will, subject to the then market conditions, to increase its purchase from the Group to utilise such additional capacity. On the assumption that such additional production capacity is utilised, the Directors expect there will be a further growth of sales to the Wistron Group by approximately 20%. We consider such expectation is reasonable in view of Wistron’s 30% interest in Mindforce, the holding company of the new plant.

Based on (i) and (ii) above, we consider the annual cap of HK\$1,170 million for the year ending 31st December, 2008 is reasonable.

Based on the above information, we consider that the basis and factors which the Directors have taken into account in determining the annual caps for the periods subject to review are relevant and justifiable and we consider that the annual caps for the Continuing Connected Transactions are fair and reasonable.

LETTER FROM SOMERLEY

OPINION

Based on the above principal factors and reasons, we are of the opinion that the terms of the Master Sales Agreement and the annual caps are fair and reasonable and the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of the business and in the interests of the Company and its shareholders as a whole.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Cheng Li-Yu	The Company	Founder and beneficiary of a discretionary trust	395,947,439 Shares (L) <i>(Note 2)</i>	39.59%
	The Company	Beneficial owner	2,800,000 Shares (L)	0.28%
Mr. Cheng Li- Yen	The Company	Beneficiary of a discretionary trust	395,947,439 Shares (L) <i>(Note 2)</i>	39.59%
Mr. Tsui Yung Kwok	The Company	Beneficial owner	2,800,000 Shares (L) <i>(Note 3)</i>	0.28% <i>(Note 4)</i>
Mr. Huang Kuo- Kuang	The Company	Beneficial owner	579,699 Shares (L) <i>(Note 5)</i>	0.058%

Notes:

1. *The letter “L” denotes the Directors’ long position in the Shares, or as the case may be, the underlying Shares of the Company and/or the relevant associated corporations.*
2. *These Shares are registered in the name of Southern Asia which is owned as to approximately 69.09% by Shine Century Assets Corp.. The entire issued share capital of Shine Century Assets Corp. is owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen are also two of the beneficiaries of the Cheng Family Trust. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen are deemed to be interested in all the Shares in which Shine Century Assets Corp. is interested by virtue of the SFO.*
3. *Mr. Tsui Yung Kwok’s long position in the Shares comprises the 2,800,000 options granted to him by the Company under the pre-IPO share option scheme (“**Pre-IPO Share Option Scheme**”) adopted by the Company on 17 June 2005 and such share options remained outstanding as at the Latest Practicable Date.*
4. *This percentage is calculated on the basis of 1,002,800,000 Shares in issue immediately following the exercise in full of all the options granted to Mr. Tsui Yung Kwok under the Pre-IPO Share Option Scheme at the same time and assuming that there will be no change in the total issued share capital of the Company other than as enlarged by the exercise of these options prior to the exercise in full of these options.*
5. *Mr. Huang Kuo-Kuang’s long position in the Shares comprises the 579,699 Shares provisionally awarded to him under the share award plan (“**Share Award Plan**”) adopted by the Company on 17 June 2005. Pursuant to the rules of the Share Award Plan, these Shares shall only be transferred to and vested in him on the first business day immediately following the expiry of six months after the listing date of the Company, i.e. 3 November 2005.*

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 30 June 2005, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) (a) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name of Shareholder	Company/ name of Group member	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Southern Asia	The Company	Beneficial owner	395,947,439 Shares (L)	39.59%
Shine Century Assets Corp.	The Company	Interest of a controlled corporation	395,947,439 Shares (L) (Note 2)	39.59%
East Asia International Trustees Limited	The Company	Trustee (other than a bare trustee)	395,947,439 Shares (L) (Note 2)	39.59%
Extrawell	The Company	Beneficial owner	182,282,174 Shares (L)	18.23%
Ms. Lin Mei-Li	The Company	Interest of a spouse	398,747,439 Shares (L) (Note 3)	39.87%
Willsley Capital Co., Ltd.	The Company	Beneficial owner	53,622,158 Shares (L)	5.36%
Mr. Wang Duan	The Company	Interest of a controlled corporation	53,622,158 Shares (L) (Note 4)	5.36%
Ms. Wang Fan	The Company	Interest of a spouse	53,622,158 Shares (L) (Note 5)	5.36%
Win Smart Co., Ltd.	Mindforce	Beneficial owner	3,000,000 ordinary shares of US\$1.00 each (L)	30%

Notes:

1. The letter “L” denotes the Shareholders’ long position in the share capital of the relevant member of the Group.
2. These Shares are registered in the name of Southern Asia which is owned as to approximately 69.09% by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. is owned by the Cheng Family Trust, the trustee of which is East Asia International Trustees Limited. Shine Century Assets Corp. is deemed to be interested in all the Shares in which Southern Asia is interested in by virtue of the SFO. East Asia International Trustees Limited is deemed to be interested in all the Shares in which Shine Century Assets Corp. is interested by virtue of the SFO.
3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she is deemed to be interested in all the Shares in which Mr. Cheng Li-Yu is interested by virtue of the SFO.
4. These Shares are registered in the name of Willsley Capital Co., Ltd., the entire issued share capital of which is beneficially owned by Mr. Wang Duan. Mr. Wang Duan is deemed to be interested in all the Shares in which Willsley Capital Co., Ltd. is interested by virtue of the SFO.
5. Ms. Wang Fan is the wife of Mr. Wang Duan and she is deemed to be interested in all the Shares in which Mr. Wang Duan is interested by virtue of the SFO.

Save as disclosed herein, there was no person known to any Directors or chief executive of the Company, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

4. SERVICE AGREEMENTS

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 June 2005 renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then current term of the service contracts until terminated by not less than three months’ notice in writing served by either party to the other.

Save as disclosed herein, none of the Directors had entered or proposed to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) as at the Latest Practicable Date.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2005, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his associates (as would be required to be disclosed under Rule 8.01 of the Listing Rules if each of them were a controlling shareholder) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

Somerley is a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in the SFO and is the independent financial adviser to the Independent Board Committee and the independent Shareholders in connection with the terms of Continuing Connected Transactions and the annual caps relating thereto. Its letter of advice to the Independent Board Committee and the independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Somerley did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley did not have any interest, direct or indirect, in any assets which have since 30 June 2005, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong of the Company at Suites 3311-3312, Jardine House, 1 Connaught Place, Hong Kong during normal business hours from 19 April 2006 up to and including 3 May 2006:

- (a) the Master Sales Agreement;
- (b) the service agreements as referred to in paragraph 4 of this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 10 to 11 of this circular;
- (d) the letter from Somerley, the full text of which is set out on pages 12 to 19 of this circular; and
- (e) the letter of consent as referred to in paragraph 7 of this appendix.

9. MISCELLANEOUS

The English text of this circular shall prevail over its Chinese text.