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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Man Yue International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**萬 裕 國 際 集 團 有 限 公 司\***

**MAN YUE INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 894)

**DISCLOSEABLE TRANSACTION**

**Financial Adviser to Man Yue International Holdings Limited**



**ASIAN CAPITAL**

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

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\* For identification purposes only.

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following terms have the meanings as set out below:*

“Company”	Man Yue International Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange
“Dongguan Changshi”	東莞市長安鎮長實發展總公司 (Dongguan Changan Changshi Development Corporation), a collectively-owned enterprise in the PRC
“Directors”	the directors of the Company
“Ever Reliance”	Ever Reliance Industrial Investments Limited, an associate company of the Company and a company incorporated in Hong Kong which is 49% owned by Golden Faith, 48% owned by Man Yue Technology, and 3% owned by Wintop
“Golden Faith”	Golden Faith Mfg. Limited, a company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	21 February 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Man Yue Technology”	Man Yue Technology Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Project Company”	東莞長信物業開發有限公司 (Dongguan Ever Reliance Property Development Limited), a sino-foreign co-operative joint venture established in the PRC
“Samxon Electronics”	Samxon Electronics (Dongguan) Company Limited, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

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## DEFINITIONS

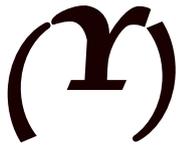
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“Share(s)”	ordinary share(s) of HK\$0.10 each the share capital of the Company
“Shareholders”	shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 24 January 2005 entered into among, inter alia, Man Yue Technology, Golden Faith and Wintop
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Wintop”	Wintop Intertrade Limited, a company incorporated in the British Virgin Islands

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## LETTER FROM THE BOARD

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萬 裕 國 際 集 團 有 限 公 司\*  
**MAN YUE INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 894)

*Executive Directors:*

Mr. Chan Ho Sing

Mr. Ko Pak On

*Independent non-executive Directors:*

Dr. Li Sau Hung, Eddy

Mr. Lo Kwok Kwei, David

Mr. Mar Selwyn

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office & Principal*

*Place of Business:*

16/F,

Yiko Industrial Building

10 Ka Yip Street

Chai Wan

Hong Kong

22 February 2005

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

The Company announced on 31 January 2005 that on 24 January 2005, Man Yue Technology, a wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with, inter alia, Golden Faith and Wintop. The Shareholders' Agreement sets out, among other things, the funding arrangements for Ever Reliance, a 48%-owned associate of the Company, to invest in the Project Company.

The purpose of this circular is to provide you with further details relating to the Shareholders' Agreement.

#### **FORMATION OF EVER RELIANCE**

Ever Reliance was incorporated in Hong Kong as an investment holding company on 12 May 2004 and is held as to 49% by Golden Faith, 48% by Man Yue Technology, and 3% by Wintop. Any dividend to be declared by Ever Reliance will be distributed in accordance with the shareholding interest of each of the shareholders at the time.

\* For identification purposes only.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, Golden Faith and Wintop and their respective beneficial owners are third parties independent of the Company and its connected person (as defined under the Listing Rules). None of Golden Faith and Wintop and their respective beneficial owners has any shareholding interest in the Company.

Ever Reliance, Golden Faith and Wintop were set up for the sole purpose of investing in the Project Company and they have no material assets other than their respective interests in the Project Company. Golden Faith and Wintop are not engaged in any other business.

Prior to the signing of the Shareholders' Agreement, other than contributing to the initial paid-up share capital of Ever Reliance of HK\$100, Man Yue Technology has not advanced or committed to advance any sum of money to Ever Reliance or the Project Company.

### FORMATION OF THE PROJECT COMPANY

The Project Company was a sino-foreign co-operative joint venture set up under the PRC laws on 14 July 2004 by Ever Reliance and Dongguan Changshi, a collectively-owned enterprise in the PRC. The total investment and registered capital is HK\$60,000,000, 15% of which has been contributed by Ever Reliance and the remaining 85% will be contributed solely by Ever Reliance on or before 14 July 2007. All relevant governmental approvals regarding the formation of the Project Company, including the business licence, have been obtained. Save as disclosed, Ever Reliance does not have any other capital commitment relating to the Project Company.

Under and by virtue of the co-operative joint venture contract in respect of the Project Company, Dongguan Changshi does not hold an equity interest in the Project Company and is only entitled to a fixed return of about RMB 995,000 each year, i.e. it is not entitled to share any profit/loss of the Project Company. Henceforth, Ever Reliance holds 100% equity interest in the Project Company and any profit or loss of the Project Company shall therefore belong to or be borne by Ever Reliance.

To the best of the knowledge, information and belief of the Directors, Dongguan Changshi is not related to any of Golden Faith or Wintop or their respective beneficial owners and does not hold any shareholding interest in the Company. The purpose of joining Dongguan Changshi as a partner is that the latter as a collectively-owned enterprise in the PRC has close connection with the local municipal government and can function as an effective liaison person for the Project Company. Dongguan Changshi will also be involved in the daily running of the Project Company.

The purpose of the Project Company is to acquire from the Dongguan Land Bureau a parcel of industrial land and to develop it into industrial buildings and ancillary facilities, and to lease out those factory space and facilities upon completion. The land is situated in Xinmin Village (also known as Xin Sing Industrial Zone), Changan Town, Dongguan City, Guangdong Province with a site area of approximately 82,886 square meters. The cost of the development is estimated to be around HK\$60,000,000 and will be funded out of the registered capital of the Project Company contributed by Ever Reliance. The development will be carried out by the Project Company in 2 phases and is expected to be completed in 2007. The Project Company has obtained the preliminary approval by Dongguan Land Bureau on the use of that parcel of land for industrial development and will acquire the land shortly after the receipt of necessary funding from Ever Reliance. The land use right will be granted to the Project Company and all facilities on the premise will also become property of the Project Company upon completion.

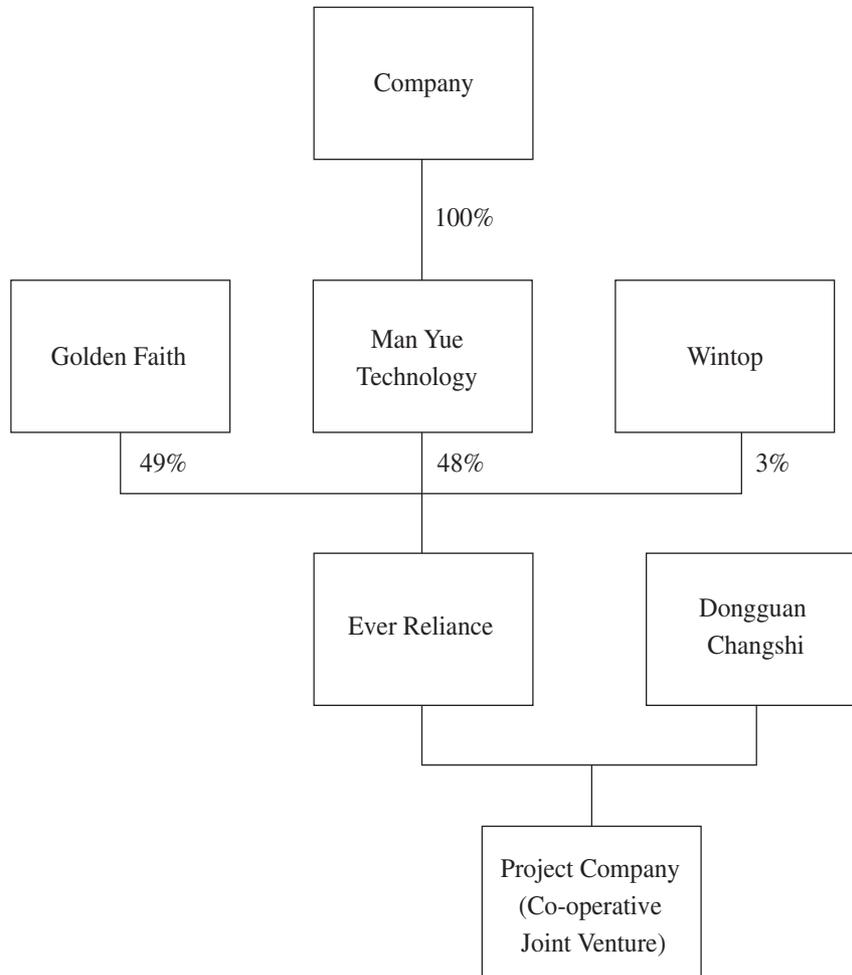
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## LETTER FROM THE BOARD

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It is the intention of Ever Reliance and the Project Company that Samxon Electronics, a wholly-owned subsidiary of the Company, will lease part of the industrial buildings and related ancillary facilities from the Project Company upon completion of the development.

### SHAREHOLDING STRUCTURE OF EVER RELIANCE AND PROJECT COMPANY



### PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

Date: 24 January 2005

Parties:

- i) Man Yue Technology
- ii) Golden Faith
- iii) Wintop
- iv) Ever Reliance

Purpose of the Shareholders' Agreement: To set out the rights and obligations of each shareholder and to govern the affairs of Ever Reliance, including the funding arrangements for Ever Reliance to invest in the Project Company.

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## LETTER FROM THE BOARD

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Composition of the board for Ever Reliance:	Maximum number of board member for Ever Reliance shall be 5. 2 directors shall be appointed by Man Yue Technology, 2 directors shall be appointed by Golden Faith and 1 director shall be appointed by Wintop. None of the shareholders will have absolute control over the board.
Call option:	<p>A call option was granted to Man Yue Technology by Golden Faith and Wintop pursuant to which Man Yue Technology is entitled to acquire from Golden Faith and Wintop, at any time commencing from the 7th year of the Shareholders' Agreement, at the pre-determined price their entire shareholding and the relevant shareholders' loans in Ever Reliance.</p> <p>As agreed by Man Yue Technology, Golden Faith and Wintop, the pre-determined price shall be equal to the net asset value per share of Ever Reliance, taking into account the valuation adjustments for the land and the industrial buildings thereon based on independent professional valuation as at the date when Man Yue Technology serves the notice to exercise its call option.</p> <p>Upon (i) the exercise of the option; (ii) the expiry of the option; (iii) Man Yue Technology notifying Golden Faith and Wintop that the option will not be exercised; or (iv) the transfer of the option to a third party, the Company will comply with the Listing Rules and make further announcement(s) as and when necessary.</p>
Funding requirements of the Project Company:	<p>Ever Reliance shall contribute HK\$60,000,000 to fund the Project Company.</p> <p>Non-interest bearing shareholders' loans of HK\$28,800,000, HK\$29,400,000 and HK\$1,800,000 shall be contributed by Man Yue Technology, Golden Faith and Wintop respectively to Ever Reliance in accordance with their shareholding percentage in Ever Reliance. All funds have to be contributed as and when requested by the board, but in any event on or before 14 July 2007. In the event that a defaulting shareholder fails to remedy its breach of any of the terms of the Shareholders' Agreement within 21 days upon the serving of a notice by the other non-defaulting shareholder(s), any non-defaulting shareholder(s) shall be entitled to acquire the entire interest from the defaulting shareholder(s) at 75% of the value of the shares of the defaulting shareholder(s). The value of such shares shall be based on the net asset value of Ever Reliance as calculated by its auditors.</p>

### **SHAREHOLDER'S LOAN PROVIDED BY MAN YUE TECHNOLOGY TO EVER RELIANCE**

The shareholder's loan of HK\$28,800,000 to be advanced to Ever Reliance by Man Yue Technology will be funded out of the internal resources of the Group. The shareholders' loan is capital in nature and is non-interest bearing, without security, not repayable on demand, and with no fixed repayment terms.

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## LETTER FROM THE BOARD

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### REASONS FOR INVESTING IN EVER RELIANCE

The Group is principally engaged in the manufacture and trading of electronic components, the trading of electrical products, raw materials and production machinery. The Company intends to invest in Ever Reliance with a view that Samxon Electronics, a wholly-owned subsidiary of the Company which currently leases industrial land and buildings for its operation, will in future lease part of the industrial buildings and related ancillary facilities of the Project Company. Since the Company holds partial interest in the Project Company through Ever Reliance, the net effect to the Group will be a reduction in the overall rental cost. The Company has yet to agree the terms of the lease with the Project Company but the indicative rate in discussion is at a discount to the current market rate. In addition, the Group is also granted the right to acquire the remaining indirect interest in the Project Company, through acquiring the interest of Golden Faith and Wintop by exercising the call option as mentioned above, should it find this beneficial and in the Company's interest to do so. The Directors are of the view that the terms of the Shareholders' Agreement are fair and reasonable and investing in Ever Reliance is in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

By entering into the Shareholders' Agreement, the Company has agreed to provide funding to Ever Reliance which constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and a general disclosure obligation of the Company under Rule 13.16 of the Listing Rules. The Company will make the necessary disclosures under Rule 13.22 in its future interim and annual reports.

### ADDITIONAL INFORMATION

Your attention is also drawn to the Appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**Man Yue International Holdings Limited**  
**Mr. Chan Ho Sing**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The information contained in this circular has been supplied by the Directors who have taken all reasonable care to ensure that the information stated herein is accurate. 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF INTEREST

### (a) Interest and short positions of the Directors in the share capital of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and their associates in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of the Part XV of the SFO) as recorded in the Registrar by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

*Long positions in the ordinary Shares of the Company:*

Name of director	Number of Shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Founder of a trust	Total	
Mr. Chan Ho Sing ( <i>Note</i> )	12,862,000	179,734,000	192,596,000	51.65
Mr. Ko Pak On	400,000	–	400,000	0.11
	<u>13,262,000</u>	<u>179,734,000</u>	<u>192,996,000</u>	<u>51.76</u>

*Note:* These Shares are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Mr. Chan Ho Sing.

*Long positions in the ordinary Shares of the Company:*

Name of director	Number of share options and warrants held, capacity and nature of interest			Total
	Directly beneficially owned	Through spouse or minor children	Founder of a trust	
Mr. Chan Ho Sing ( <i>Note</i> )	–	5,500,000	–	5,500,000
Mr. Chan Ho Sing	7,643,666	–	29,955,666	37,599,332
Mr. Ko Pak On	1,866,666	–	–	1,866,666
	<u>9,510,332</u>	<u>5,500,000</u>	<u>29,955,666</u>	<u>44,965,998</u>

*Note:* The interests through spouse represent share options held by Madam Kee Chor Lin, the spouse of Chan Ho Sing.

In addition to the above, Mr. Chan Ho Sing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

**(b) Interest and short positions of the substantial shareholders in the share capital of the Company**

As at the Latest Practicable Date, to the best knowledge of the Directors or chief executives of the Company, the following parties (other than a Director or chief executives of the Company), had an interest or short position in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provision 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 general meetings of any other member of the Group, together with particulars of any options in respect of such capital:

*Long positions:*

Name		Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of warrants held
Man Yue Holdings Inc.	<i>Note 1</i>	Beneficial interest	179,734,000	48.2	29,955,666
Mr. Li Tung Lok		Beneficial interest	47,760,000	12.8	7,960,000

*Note 1:* Man Yue Holdings Inc. is ultimately beneficially owned by the family trust of Mr. Chan Ho Sing.

**3. ARRANGEMENTS AFFECTING DIRECTORS**

- (i) Mr. Chan Ho Sing as an executive Director entered into a service contract with the Company for an initial term of three years commencing on 1 January 2003 and thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years. Mr. Chan is currently entitled to an annual emolument of HK\$3,500,000 (including a year end bonus equivalent to the aggregate of his last 2 months' salaries) with reference to, inter alia, consumer price index increase, inflation market rate and performance of Mr. Chan. Pursuant to his service contract with the Company, Mr. Chan is entitled to an annual housing benefit of HK\$1 million. Mr. Chan may be entitled to discretionary management bonus as determined by the board of directors of the Company in its absolute discretion depending on the performance of Mr. Chan and the operating results of the Group for each financial year provided that the total amount of the management bonuses, if any, to be allocated among all the executive Directors shall not be greater than 5% of the audited consolidated profit attributable to shareholders (after taxation and minority interests but before extraordinary items and before such management bonus) of the Group as reflected in its consolidated audited accounts for the relevant financial year.
  
- (ii) Mr. Ko Pak On as an executive Director entered into his first service contract with the Company for an initial term of three years commencing on 1 January 2004 and thereafter until terminated by either party giving to the other not less than two months' notice in writing terminating on or after the expiry of the initial term of three years. Mr. Ko is currently entitled to an annual emolument of HK\$702,000 (including a year end bonus equivalent to his last month's salary) with reference to market terms, and performance, qualifications and experience of Mr. Ko. Mr. Ko may be entitled to discretionary bonus by reference to the annual result of the Company and the performance of the individual subject to the approval by the board of directors of the Company.

**4. COMPETING BUSINESS**

None of the Directors and his respective associate has an interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**6. MATERIAL CONTRACTS**

So far as the Directors are aware, no material contracts have been entered into by members of the Group, not being contracts entered into during the ordinary course of business carried on or intended to be carried on by the Group, within two years preceding the date of this circular.

**7. GENERAL**

- (i) The company secretary and qualified accountant of the Company appointed under Rule 3.24 of the Listing Rules are Mr. Tso Yan Wing, Alan, CPA (Practising), FCCA, MBA.
- (ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is situated at 16th Floor, Yiko Industrial Building, 10 Ka Yip Street, Chai Wan, Hong Kong.
- (iii) The address of the Company's branch share registrar and transfer office, Tengis Limited, is G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (iv) The registered address of Man Yue Holdings Inc. is One Montague Place, East Bay Street, Nassau, Bahamas, the entire issued share capital of which is ultimately beneficially owned by the CK Trust, the family trust of Mr. Chan Ho Sing, the chairman and an executive Director of the Company. The trustee of the CK Trust is Ernst & Young Trust Corporation and its address is P.O. Box 261, Bush Hill, Bay Street, Barbados. Mr. Chan Ho Sing and Mr. Chan Yu Ching Eugene, an assistant executive director of the Company and the son of Mr. Chan Ho Sing, are the directors of Man Yue Holdings Inc. The address of the directors and shareholders of Man Yue Holdings Inc. is 16th Floor, Yiko Industrial Building, 10 Ka Yip Street, Chai Wan, Hong Kong.
- (v) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.