Building a Future

Annual Report 2004

2004

美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

* For identification purposes only

Contents

Corporate Information

DIRECTORS

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

COMPANY SECRETARY

Mr. Lui Cho Tak, *LL.B., P.C.LL., LL.M.*

QUALIFIED ACCOUNTANT

Mr. Tsang Hung Kei, *ACCA, CPA*

REGISTERED OFFICE

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Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 501, 5th Floor
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29 Queen's Road Central
Central
Hong Kong

AUDITORS

CCIF CPA Limited
37th Floor, Hennessy Centre
500 Hennessy Road
Causeway Bay
Hong Kong

SOLICITORS

Dibb Lupton Alsop
41st Floor, Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Ltd.
P.O. Box 705
Butterfield House
68 Fort Street
George Tower
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17th Floor
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Chairman's Statement

Dear fellow shareholders,

OVERVIEW

"Harmony, Innovation, Sustainable Development and Customer Satisfaction through Provision of Goods and Services of High Quality" has been the Group's vision and mission. The year of 2004 was a year with great challenges, despite of which, the Group has made significant achievement in progressing our business towards a sustainable growth path.

During the year, the Group overcame various difficulties and managed to follow a clearly focused business strategy by continuing with product development and innovation, aggressive marketing, process improvement and cost management. Major achievements are as follows:

Business:

- The Group's Phase III production plant expansion, including installation of new equipment and machinery, was in good progress. Our production capacity has been expanding through the use of new equipment and machinery, which would help to enhance our competitive strengths.

- The Group successfully expanded its direct export business, laying a solid foundation for the Group to seek new business opportunities for future development.

- The Group's new product, stainless pipes, has been launched to the domestic market in the PRC as well as the international market.

Management:

- The Group reinforced its financial management for its business and effectively controlled various operating costs and expenses.

- The Group fully implemented a performance assessment system, which has greatly boosted the morale of our staff.

- The online ERP System was officially launched in July 2004.

Recognition:

In 2004, the Group received the following recognitions and accreditations from relevant government authorities:

- Approval document on Safety Products Involving the Water Hygiene (known as the Hygiene Permit for Stainless Steel Pipes) from the Guangdong Province Health Bureau;

- Certificate for Acknowledgement as Foreign Invested Advance Technology Enterprise from Guangzhou Municipal Commission of Foreign Trade and Economic Cooperation. We were also one of the first group of enterprises receiving "Enterprise with A-class Tax Credit Rating" in Guangzhou Municipality from Guangzhou Municipal Office, SAT and the local tax bureau of Guangzhou Municipality.

Development:

- The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 21 June 2004.

The Group is in healthy state of affairs with steady growth in economic efficiency. Turnover and sales volume grew by 44% and 11% respectively. The Group recorded profit after tax and minority interests of RMB41,229,000, which yielded a return on total assets of 8% and a return on shareholders' fund of 18%.

FUTURE DEVELOPMENT

Looking forward to 2005, the Group will continue to build on its earlier success and existing foundation, and put greater efforts in market penetration and industry development, and will be devoted to achieve the following goals:

- Expanding our purchase channels to cope with the growth in business and sales volume for the coming years.

- Acquiring additional equipment, in coordination with our Phase III production plant expansion, to give full play to economic efficiency and making adjustments to related product mix. We will also establish allied "industrial chains" with major customers so as to minimise the risk of pricing.

- Leveraging on the favourable market trend, grasping business opportunities in a careful manner and diversifying the market. We will also raise our crisis awareness about the overheated iron and steel industry and hence formulate risk-avoidance strategies in advance.

- Making use of the ERP system to optimise the management of our process flow and information efficiency on purchasing, inventory, planning, quality, cost and sales activities.

To sustain the development of the Group, we are giving full consideration to every investment opportunity which is beneficial to the Group, with an aim to generate the best return from investments. Among our various investment projects, we are assessing the feasibility of establishing our second production base for steel processing in eastern China, and we are considering, with the extensive experience of the board members and the management, to bring in expertise and explore business opportunity in metal-processing of related auto parts.

APPRECIATION

Finally, I wish to express my sincere gratitude to our shareholders, directors, employees and business partners for their support to the Group. I believe that we can sustain our current development and will record a greater growth in business and profit in the coming years.

Lai Yueh-hsing
Chairman

Management Discussion and Analysis

REVIEW OF RESULTS

The turnover of the Group for the year was approximately RMB941,577,000, representing an increase of approximately 44% compared with approximately RMB654,273,000 for the last year while the net profit was approximately RMB41,229,000, representing an increase of approximately 40% compared with approximately RMB29,444,000 for the last year.

BUSINESS REVIEW

The significant growth in operating results is primarily due to the fact that the Group is still in the stage of development and its market share is increasing. Sales volume increased from 128,436 tonnes for the last year to 141,971 tonnes, representing an increase of approximately 11% while at the same time, the selling price of the Group's products increased by approximately 30% compared with that for the corresponding period last year mainly because of the continuous surge of the price of international and domestic steel products during the year, resulting in an increase in profit for the Group.

PRODUCTION AND SALES

The revenue from domestic sales of products in the PRC during the year was approximately RMB145,406,000, representing an increase of approximately 102% compared with approximately RMB71,959,000 last year. Meanwhile, the Group is still developing the domestic market in the PRC.

The revenue from indirect export sales of products in the PRC during the year was approximately RMB789,859,000, representing an increase of approximately 36% compared with approximately RMB580,628,000 for the last year. The market for indirect export sales in the PRC continued to be the core market for the Group.

The revenue from direct export sales of products outside the PRC during the year was approximately RMB6,312,000 while it was only approximately RMB1,686,000 for the last year. The Group has successfully entered the international market, in particular, its recently launched new product (stainless steel pipes) has been exported to countries such as the U.S. and Vietnam.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB99,378,000 for the year, with a gross profit margin of approximately 10.6%, compared with the gross profit of approximately RMB64,566,000 and a gross profit margin of approximately 9.9% for the last year.

OPERATING EXPENSES

The total operating expenses of the Group for the year were approximately RMB47,375,000, of which approximately RMB9,954,000 in selling and distribution costs, RMB28,124,000 in administrative expenses, RMB3,922,000 in other operating expenses and RMB5,375,000 in finance costs, accounting for approximately 1.1%, 3.0%, 0.4% and 0.6% of turnover respectively while the amounts for the last year were approximately RMB8,580,000, RMB15,197,000, RMB1,255,000 and RMB3,272,000 respectively, accounting for approximately 1.3%, 2.3%, 0.2% and 0.5% respectively. The increase in the operating expenses was mainly due to the increase in turnover, which resulted in the rise of variable expenses. However, these expenses had comparably lower percentages of turnover in the year.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. The gearing ratio (borrowings divided by shareholders' funds) as of 31 December 2004 was approximately 100.7% (2003: 132.8%). The total bank borrowings of the Group amounted to approximately RMB230,807,000 (2003: RMB187,483,000), mainly denominated in US dollars, HK dollars and Renminbi with floating interest rates. The Group's short term loans from banks accounted for approximately 42.6% of the total assets (2003: 49.3%).

The current ratio (current assets divided by current liabilities) as of 31 December 2004 was approximately 1.74 (2003: 1.53). In 2002, the Group started to insure against receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

CASH FLOW

Net cash inflow of approximately RMB5,421,000 was generated from operating activities for the year, reflecting growth in core business of the Group. Despite approximately RMB22,538,000 used for plant expansion and purchase of machinery and equipment, the net increase in cash and cash equivalents amounted to approximately RMB68,447,000, as a result of net cash inflow of approximately RMB46,556,000 raised from the listing, approximately RMB43,324,000 from bank borrowings and strong operating cash inflow. Bank balances and cash as at 31 December 2004 totalled approximately RMB103,481,000, mainly denominated in US dollars, HK dollars and Renminbi.

EXCHANGE RATE EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in US dollars, HK dollars and Renminbi and those currencies remained relatively stable during the year, the Group was not exposed to any significant exchange risk.

PLEDGE OF ASSETS

As at 31 December 2004, property, plant and equipment and land use rights of the Group with net book value of approximately RMB60,567,000 (2003: RMB38,358,000) and RMB9,082,000 (2003: RMB9,304,000) respectively were pledged to secure bank borrowings.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date. At 31 December 2004, the Company had provided corporate guarantees of RMB173,808,000 (2003: Nil) in favour of certain banks for banking facilities granted to a subsidiary. Out of which, approximately RMB104,320,000 had been utilised at 31 December 2004 (2003: Nil).

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2004, the Group had a total of 329 employees. Total staff costs for the year ended 31 December 2004 were approximately RMB17.7 million, including retirement benefits cost of RMB1.4 million. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motivate employees and are reviewed on a periodical basis.

The Group always maintains good relation with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products.

In addition, the Company has a share option scheme for the purpose of providing incentives and rewards to eligible participants. No option has been granted under the scheme since its adoption.

OUTLOOK

Following the completion of Phase III of our plant in July 2004 and the new installation of steel-cutting and pipe-making machines, the Group's future production capacity and market competitiveness would be further enhanced. Moreover, the Group's new product (stainless pipes) has already been launched to the domestic market in the PRC as well as the international market, and has duly obtained the Hygiene Permit for Stainless Steel Pipes from the Guangdong Province Health Bureau, which would significantly help to promote the Group's new products in the market.

To sustain the development of the Group, we are giving full consideration to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments.

Looking forward to 2005, the Group's management is confident that our business will continue to grow in future and generate better returns to our investors.

Biographical Details of Directors, Company Secretary and Senior Management

EXECUTIVE DIRECTORS

Mr. Lai Yueh-hsing (賴粵興), aged 47, is an executive director and the chairman of the Board. Mr. Lai is responsible for the overall corporate strategy and planning of the Group. He holds a Bachelor degree in Corporate Management from Tamkang University. He is currently a director of Duban Development Co., Limited, a director of Tze Shin International Co., Limited, the general manager of Du Centre Co., Limited and supervisor of Mayer Steel Pipe Corporation ("Taiwan Mayer").

Mr. Lo Haw (羅漢), aged 42, is an executive director of the Company responsible for the product development of the Group. He holds a Master of Business Administration degree in 1992 from Bloomsbury University of Pennsylvania. Mr. Lo has over 13 years of experience in the steel pipe and sheet industry. Prior to his appointment as director of Guangzhou Mayer Corp., Ltd. ("Guangzhou Mayer") on 23 November 1995, Mr. Lo had worked as vice-chairman of Yungfa Steel Corp., Limited. He is currently a director of a number of companies, namely, Taiwan Mayer and Fukang Investments Holdings Company Limited. Mr. Lo was awarded by the Guangzhou Municipal Government as "Honorary Citizen".

Mr. Shen Heng-chiang (沈亨將), aged 50, is an executive director of the Company and the general manager of Guangzhou Mayer responsible for the Group's sales and marketing activities. Mr. Shen graduated from the faculty of industrial management in Tam Shui Institute of Business Administration College in 1976. Mr. Shen has over 21 years of experience in the steel industry. Prior to his appointment as the general manager of Guangzhou Mayer on 23 November 1995, Mr. Shen had worked as general manager of Yungfa Steel Corp., Limited. He is currently a committee member of the Taiwan Investment Enterprise Association in Guangzhou and a senior management staff of Taiwan Mayer.

Mr. Wu Kuo-lung (吳國龍) aged 69, is an executive director of the Company. Mr. Wu is responsible for the corporate strategy and planning of the Group. Prior to his appointment as an executive director, Mr. Wu has over 31 years of experience in steel industry in greater China region. He is currently the group chairman of Taiwan Mayer.

Mr. Cheng Dar-terng (鄭達騰), aged 53, is an executive director of the Company. Mr. Cheng obtained a Master degree in Business Management from University of Dallas in the United States. He was appointed as a director of Guangzhou Mayer on 23 November 1995. He is currently a director of Taiwan Mayer.

Mr. Chiang Jen-chin (蔣仁欽), aged 39, is an executive director of the Company responsible for financial activities of the Group. He has over 13 years of experience in the steel pipe and sheet industry. Mr. Chiang is currently the executive assistant to the general manager of Taiwan Mayer.

NON-EXECUTIVE DIRECTORS

Mr. Hsiao Ming-chih (蕭敏志), aged 45, is a non-executive director of the Company. Mr. Hsiao holds a Bachelor degree in Commerce from the Accounting Faculty of Tung Hai University. Mr. Hsiao is currently the general manager of Taiwan Mayer and a director of Tze Shin International Company Limited.

Mr. Huang Chun-fa (黃春發), aged 48, is a non-executive director of the Company. Mr. Huang has held senior positions in various listed companies in Taiwan and is currently the chairman of Durban Development Company Limited, the chairman of Tze Shin International Company Limited and the chairman of Taiwan Mayer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lin Sheng-bin (林聖斌), aged 40, is an independent non-executive director of the Company. Mr. Lin holds a Master degree in Finance from National Chung-Cheng University. He has worked as the section staff member, commissioner, auditor and the supervisor of the Regulatory Commission for Securities and Futures, under the Finance Ministry of Taiwan and the supervisor of First Taiwan Securities Inc. He is currently the assistant manager of Capital Markets Department of Grand Cathay Securities Corp. and the supervisor of Grand Cathay Futures Corporation.

Mr. Huang Jui-hsiang (黃瑞祥), aged 44, is an independent non-executive director of the Company. Mr. Huang obtained a Master degree in Accountancy from National Chengchi University. He has over 11 years of experience in the accounting field. He had worked as the assistant manager in the audit services department of KPMG in Taiwan.

Mr. Alvin Chiu (趙熾佳), aged 44, is an independent non-executive director of the Company. Mr. Chiu graduated from the University of Southern California in 1983 majoring in Economics. He has extensive commercial and retail banking experience in the U.S. He had worked as the vice president and branch manager of First Central Bank in Los Angeles, California for eight years. Mr. Chiu is now the managing director of Pacific Links Group Limited and Pacific Connections Group Limited. He has experience in China trades, importation and wholesale industries. He is also involved in the contract manufacturing, electronics and original equipment manufacturing ("OEM") assembly business in Greater China.

COMPANY SECRETARY

Mr. Lui Cho Tak (雷祖德), LL.B. P.C.LL., LL.M., aged 39, is a practising solicitor in Hong Kong, England and Wales and a partner of a law firm in Hong Kong. Mr. 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.

SENIOR MANAGEMENT

Mr. Tsang Hung Kei (曾鴻基), aged 34, is the financial controller and qualified accountant of the Group responsible for the overall financial management and control. Prior to joining the Group in June 2004, Mr. Tsang has over 8 years of experience in auditing and accounting. He is an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang obtained a bachelor degree in computer science and accounting from the Victoria University of Manchester.

Mr. Chang Yin-kwang (張銀光), aged 65, is the chief business consultant of Guangzhou Mayer responsible for its overall business strategy formulation. He has over 31 years of experience in the steel industry through working in a number of steel companies. He had worked for Taiwan Iron Manufacturing Corporation Limited and China Steel Corporation. He was a director and the vice general manager of Guangzhou Mayer for the period from November 1998 to May 2003.

Mr. Huang Cheng-chang (黃振昌), aged 45, is the executive deputy general manager of Guangzhou Mayer responsible for research and development, production flow and administration. He graduated from Chien Hsin Institute Technology Chien Hsin College majoring in mechanical engineering. Prior to joining Guangzhou Mayer on 1 February 2000, he was the production supervisor and vice factory head of Taiwan Mayer.

Mr. Shen Chin-an (沈金安), aged 44, is the deputy general manager of Guangzhou Mayer responsible for sales activities. He holds a Bachelor degree in Japanese Language from SooChow University. Mr. Shen joined the Group on 12 January 1999. Having ample experience in steel industry, Mr. Shen had worked for Ta Fu Steel Industrial Co., Limited and Shang Fu Steel Industrial Co., Limited.

Mr. Huang Yu-chi (黃昱琪), aged 37, is the deputy general manager of Guangzhou Mayer responsible for financial management in Guangzhou Mayer. He is also the secretary to board of directors of Guangzhou Mayer. He is now a student seating for doctorial degree in Jinan University and holds a bachelor degree in Industrial Engineering from Tung Hai University. Prior to joining the Group on 5 September 1996, he had worked as a senior officer of Taiwan Mayer.

Ms. Su Li-jung (蘇麗蓉), aged 46, is the administration manager of Guangzhou Mayer responsible for procurement activities. Ms. Su graduated from the Faculty of Dance and Music of Chinese Culture University majoring in dancing. Prior to joining the Group on 4 March 2003, she had worked as the assistant manager of Nahuaou Co., Limited and manager of Hong Kong International Insurance Agent.

Report of the Directors

The directors present their annual report and the audited financial statements of Mayer Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2004.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 October 2003 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme ("Group Reorganisation") to rationalise the structure of the Group in the preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group since 12 December 2003. This was accomplished by the Company acquiring the entire issued capital of Bamian Investments Pte Ltd. ("Bamian"), the then holding company of the other subsidiaries of the Group, in consideration for the allotment and issue of the Company's share, credited as fully paid, to the former shareholders of Bamian. Further details of the Group Reorganisation are set out in the Company's prospectus dated 10 June 2004.

The Company obtained a listing for its shares on the Stock Exchange on 21 June 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacturing and trading of steel pipes, steel sheets and other products made of steel.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 21.

The directors recommend the payment of final dividend of RMB 3 cents per share totaling RMB12,000,000 in respect of the year ended 31 December 2004 to shareholders on the register of members on 29 April 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 48.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 25 and 26 to the financial statements.

RESERVES

Details of movements of the reserves of Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves of the Company at 31 December 2004 amounted to RMB148,412,000 (2003: RMB141,211,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers accounted for less than 30% of the Group's total turnover for the year. The largest and the five largest suppliers accounted for 59% and 80% of the Group's purchases for the year, respectively.

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Lai Yueh-hsing
Mr. Lo Haw
Mr. Shen Heng-chiang
Mr. Wu Kuo-lung (appointed on 25 February 2004)
Mr. Cheng Dar-terng
Mr. Chiang Jen-chin

Non-executive Directors

Mr. Hsiao Ming-chih	
Mr. Huang Chun-fa	(appointed on 25 February 2004)

Independent non-executive Directors

Mr. Huang Jui-hsiang	(appointed on 8 January 2004)
Mr. Lin Sheng-bin	(appointed on 8 January 2004)
Mr. Alvin Chu	(appointed on 24 May 2004)

In accordance with article 112 of the Company's Articles of Association, each of Mr. Cheng Dar-terng, Mr. Chiang Jen-chin and Mr. Hsiao Ming-chih will retire by rotation at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

Each of the executive directors has entered into a service agreement with the Company for an initial term of one year commencing from 21 June 2004 and shall continue thereafter from year to year until and unless terminated by either party by giving to the other party not less than three months' prior written notice.

Each of the non-executive directors and independent non-executive directors has entered into a service agreement with the Company for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until and unless terminated by either party by giving to the other party not less than three months' prior written notice.

Save as disclosed above, no directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence in 2004 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 33 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at 31 December 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were 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 the directors and the chief executives of the Company have taken or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the share capital of Mayer Steel Pipe Corporation ("Taiwan Mayer")

	Number of ordinary shares in Taiwan Mayer					
Name of director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**Approximate % of issued share capital**
Lo Haw	171,311	923	8,829,200	–	9,001,434	6.55%
Cheng 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%

Long positions in the share capital of Guangzhou Mayer Corp., Ltd. ("Guangzhou Mayer")

	Number of ordinary shares in Guangzhou Mayer					
Name of director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**Approximate % of issued share capital**
Lo Haw	–	–	8,160,000	–	8,160,000	6.40%

Save as disclosed above, as at 31 December 2004, none of the directors nor the chief executives of the Company nor their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have 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 have taken, or deemed to have taken under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, and none of the directors or chief executives, or their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, the person/entity (not being a director or a chief executive of the Company) who has interests or short positions 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 IV of the SFO, were as follows:

Long positions in the share capital of the Company

Name of shareholder	Number of shares held	Percentage of issued share capital of the Company
Taiwan Mayer *(note)*	300,000,000	75%
Mayer Corporation Development International Limited (“BVI Mayer”)	300,000,000	75%

Note: BVI Mayer is a wholly-owned subsidiary of Taiwan Mayer. Taiwan Mayer is deemed to be interested in the 300,000,000 shares held by BVI Mayer under the SFO.

Save as disclosed above, as at 31 December 2004, the directors of the Company are not aware of any other person/entity (not being a director or a chief executive of the Company) who has interests or short positions 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 IV of the SFO, or who is directly or indirectly interested in 10% or more of the shares of the Company or equity interest in any member of the Group representing 10% or more of the equity interest in such company.

SHARE OPTION SCHEME

Details of the Company’s share option scheme are disclosed in note 26 to the financial statements. No share options were granted by the Company since the adoption of the scheme.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors 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.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares.

CONNECTED TRANSACTIONS

On 28 October 2001, the Group entered into a lease agreement with Ms. Shih Hui-ping, the spouse of Mr. Lo Haw (being a director of the Company), pursuant to which the Group agreed to pay a monthly rental of RMB10,000 in respect of the Group's occupation of Shanghai office for a term of five years commencing on 28 October 2001. In the opinion of the directors of the Company, the rental is based on normal commercial terms and is conducted in the ordinary and usual course of business of the Group. This transaction constitutes a de minimus on-going connected transaction exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with Rule 14A.33(3) of the Listing Rules.

LOAN AGREEMENT WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at 31 December 2004, the Group had borrowing of US$1,639,956 with maturity commencing from 31 December 2004 to 31 March 2005 and undrawn uncommitted banking facilities of US$1,360,044 under facilities amounting to US$3,000,000, which were subject to Taiwan Mayer, being the Company's controlling shareholder, owning 75% in the share capital of the Company so long as any amount is outstanding under such facilities. Otherwise, immediate repayment of borrowings may be demanded and cancellation of undrawn facilities may result.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") pursuant to a resolution of the board of director passed on 24 May 2004 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review the financial reporting process of the Group. The Audit Committee consists of the three independent non-executive directors of the Company, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, with Mr. Huang Jui-hsiang being the chairman of the Audit Committee. The financial statements of the Group for the year ended 31 December 2004 have been reviewed by the Audit Committee at a meeting held on 24 March 2005.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Having made specific enquiry of all directors of the Company, during the accounting period covered by the annual report, the directors of the Company have strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company has adopted the Model Code as the code of conduct governing the securities transactions of the directors of the Company.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, which was in force prior to 1 January 2005.

AUDITORS

During the year, Messers Deloitte Touche Tohmatsu resigned and CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.) were appointed as the Company's auditors to fill up the casual vacancy.

A resolution for the re-appointment of CCIF CPA Limited as the auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting.

By Order of the Board

Lai Yueh-hsing
Chairman

Hong Kong, 24 March 2005

Report of the Auditors

CCIF

CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF MAYER HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 19 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong
24 March 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
TURNOVER	4	**941,577**	654,273
COST OF SALES		**(842,199)**	(589,707)
GROSS PROFIT		**99,378**	64,566
OTHER REVENUE	4	**288**	201
OTHER INCOME	6	**7,869**	4,367
DISTRIBUTION COSTS		**(9,954)**	(8,580)
ADMINISTRATIVE EXPENSES		**(28,124)**	(15,197)
OTHER OPERATING EXPENSES		**(3,922)**	(1,255)
PROFIT FROM OPERATIONS	7	**65,535**	44,102
FINANCE COSTS	8	**(5,375)**	(3,272)
PROFIT BEFORE TAXATION		**60,160**	40,830
TAXATION	9	**(5,019)**	(2,833)
PROFIT AFTER TAXATION		**55,141**	37,997
MINORITY INTERESTS		**(13,912)**	(8,553)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	10	**41,229**	29,444
DIVIDENDS	11	**12,000**	31,500
EARNINGS PER SHARE	12		
– Basic (RMB)		**12 cents**	10 cents
– Diluted (RMB)		**N/A**	N/A

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**77,975**	67,154
Land use rights	16	**9,082**	9,304
Club debentures	17	**720**	720
Deferred tax assets	19	**268**	268
		88,045	77,446
Current assets			
Inventories	20	**113,378**	77,033
Trade receivables	21	**226,075**	187,439
Prepayments, deposits and other receivables		**10,920**	3,126
Cash and bank balances		**103,481**	35,034
		453,854	302,632
LIABILITIES			
Current liabilities			
Trade payables	23	**17,880**	4,835
Other payables and accruals		**11,843**	5,425
Amount due to ultimate holding company	22	**–**	34
Taxation payable		**468**	380
Borrowings	24	**230,807**	187,483
		260,998	198,157
Net current assets		**192,856**	104,475
Total assets less current liabilities		**280,901**	181,921
CAPITAL AND RESERVES			
Issued capital	25	**42,480**	–
Reserves		**174,666**	141,211
Proposed final dividend	11	**12,000**	–
Shareholders' fund		**229,146**	141,211
Minority interests		**51,755**	40,710
		280,901	181,921

Approved and authorised for issue by the board of directors on 24 March 2005.

Lai Yueh-hsing
Director

Chiang Jen-chin
Director

The notes on pages 26 to 47 form an integral part of these financial statements.

Balance Sheet

At 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**259**	–
Investments in subsidiaries	18	**141,211**	141,211
		141,470	141,211
Current assets			
Other receivables		**229**	–
Cash and bank balances		**52,876**	–
		53,105	–
LIABILITIES			
Current liabilities			
Other payables		**3,683**	–
Net current assets		**49,422**	–
Net assets		**190,892**	141,211
CAPITAL AND RESERVES			
Issued capital	25	**42,480**	–
Reserves	27	**136,412**	141,211
Proposed final dividend		**12,000**	–
		190,892	141,211

Approved and authorised for issue by the board of directors on 24 March 2005.

Lai Yueh-hsing
Director

Chiang Jen-chin
Director

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2004

	Issued capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Retained profits	Proposed final dividend	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2003	83,570	–	–	6,445	–	259	53,050	–	143,324
Exchange differences arising from translation of overseas operations and loss not recognised in the consolidated income statement	–	–	–	–	–	(57)	–	–	(57)
Appropriations	–	–	–	3,731	1,866	–	(5,597)	–	–
Share exchange upon Group Reorganisation	(83,570)	–	83,570	–	–	–	–	–	–
Dividend	–	–	–	–	–	–	(31,500)	–	(31,500)
Profit for the year	–	–	–	–	–	–	29,444	–	29,444
At 31 December 2003	–	–	83,570	10,176	1,866	202	45,397	–	141,211
Capitalisation issue of shares *(note 25 (e))*	31,860	(31,860)	–	–	–	–	–	–	–
New Issue on public listing *(note 25(f))*	10,620	47,790	–	–	–	–	–	–	58,410
Share issue expenses	–	(11,854)	–	–	–	–	–	–	(11,854)
Exchange differences arising from translation of overseas operations and loss not recognised in the consolidated income statement	–	–	–	–	–	150	–	–	150
Appropriations	–	–	–	6,169	3,084	–	(9,253)	–	–
Profit for the year	–	–	–	–	–	–	41,229	–	41,229
Proposed final dividend	–	–	(12,000)	–	–	–	–	12,000	–
At 31 December 2004	42,480	4,076	71,570	16,345	4,950	352	77,373	12,000	229,146

(i) Special reserve

The amount represents the paid-in capital of the Company of 1 share of HK$0.1 each and the special reserve of RMB83,570,000 arising from exchange of 1 share of the Company of HK$0.1 for the entire share capital of Bamian Investments Pte Ltd pursuant to the reorganisation scheme dated 12 December 2003.

(ii) Statutory surplus reserve

The Articles of Association of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") requires the appropriation of 10% of its profit after taxation each year, based on its statutory audited accounts, to the statutory surplus reserve until the balance reaches 50% of the registered capital. According to the provision of the Articles of Association of Guangzhou Mayer, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of Guangzhou Mayer. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

(iii) Statutory public welfare fund

Pursuant to the PRC Company Law applicable to joint-stock company, Guangzhou Mayer shall make allocation from its profit after taxation at the rate of 5% to 10% to the statutory public welfare fund, based on its statutory audited accounts. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the company. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation. Guangzhou Mayer was converted into a joint-stock company in 2003.

The statutory public welfare fund was appropriated commencing from 2003.

The notes on pages 26 to 47 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004	2003
	RMB'000	*RMB'000*
PROFIT BEFORE TAXATION	**60,160**	40,830
ADJUSTMENTS FOR:		
Interest income	**(288)**	(201)
Interest expenses	**5,375**	3,272
Depreciation and amortisation	**8,159**	8,492
Loss on disposal of property, plant and equipment	**142**	214
Exchange adjustment	**150**	(57)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**73,698**	52,550
Increase in inventories	**(36,345)**	(15,444)
Increase in trade receivables, prepayments, deposits and other receivables	**(46,430)**	(33,274)
Increase in trade payables, other payables and accruals	**19,463**	12
Decrease in amount due to ultimate holding company	**(34)**	(12,293)
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**10,352**	(8,449)
PRC enterprise income tax paid	**(4,931)**	(3,019)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**5,421**	(11,468)
INVESTING		
Proceeds on disposal of property, plant and equipment	**3,638**	–
Purchase of property, plant and equipment	**(22,538)**	(5,285)
Interest received	**288**	201
Decrease in pledged bank deposits	**–**	2,487
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(18,612)**	(2,597)
NET CASH OUTFLOW BEFORE FINANCING	**(13,191)**	(14,065)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 December 2004

	2004	2003
	RMB'000	*RMB'000*
FINANCING		
New borrowings raised	**772,028**	510,655
New issue on public listing, net of share issue expenses	**46,556**	–
Repayment of borrowings	**(728,704)**	(444,654)
Repayment to ultimate holding company	**–**	(10)
Dividend/Repayment to minority shareholders of a subsidiary	**(2,867)**	(1,800)
Dividend paid	**–**	(31,500)
Interest paid	**(5,375)**	(6,368)
NET CASH INFLOW FROM FINANCING	**81,638**	26,323
INCREASE IN CASH AND CASH EQUIVALENTS	**68,447**	12,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**35,034**	22,776
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**103,481**	35,034
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**103,481**	35,034

The notes on pages 26 to 47 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2004

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands on 9 October 2003 as an exempt company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and trading of steel pipes, steel sheets and other products made of steel.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

(a) Group Reorganisation

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group since 12 December 2003. This was accomplished by the Company acquiring the entire issued share capital of Bamian Investments Pte Ltd. ("Bamian"), the then holding company of the other subsidiaries of the Group, in consideration for the allotment and issue of the Company's share, credited as fully paid, to the former shareholders of Bamian. Further details of the Group Reorganisation are set out in the Company's prospectus dated 10 June 2004. The shares of the Company were listed on the Stock Exchange on 21 June 2004.

(b) Basis of presentation

The comparative financial statements had been prepared using the merger basis of accounting in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Reconstruction" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as a result of the Group Reorganisation as referred to (a) above. Under the basis, the Company has been treated as the holding company of its subsidiaries for the comparative financial periods presented, rather than from date of its acquisition of the subsidiaries. Accordingly, the comparative results of the Group for the comparative financial year ended 31 December 2003 included the results of the Company and its subsidiaries with effect from 1 January 2003 or since their respective dates of incorporation, where this is a shorter period. All material intra group transactions and balances for the comparative financial year had been eliminated on combination.

3. SIGNIFICANT ACCOUNTING POLICIES

Impact of recently issued Hong Kong Financial Reporting Standards ("HKFRSs")

HKICPA has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by HKICPA. A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the years are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) Interests in subsidiaries

Interests in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss.

(c) Revenue

(i) Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

(ii) Interest income is accrued on a time proportion basis, taking into account the principal amounts outstanding and at the interest rate applicable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

	Depreciation rates	Residual value
Building and factory premises in the Mainland China (the "PRC")	5%	10%
Leasehold improvements	20%	10%
Furniture, fixtures and office equipment	20%	10%
Plant and machinery	10%–33$^{1}/_{3}$%	10%
Motor vehicles	20%	10%

No depreciation is provided to write off the cost of construction in progress until the assets are brought into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

(e) Land use rights

Land use rights are recognised as an asset and stated at cost less amortisation over the term of the lease, and any identified impairment loss.

(f) Club debentures

Club debentures are stated at cost and less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value and are calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Deferred taxation *(Continued)*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Operating leases

Leases when substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the lease terms.

(m) Translation of foreign currencies

Translation in currencies other than RMB are translated at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than RMB at the balance sheet date are translated to RMB at the rates prevailing at the balance sheet date. Gains and losses arising on exchange are dealt with in the consolidated income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at average rates for the year. Exchange differences arising on consolidation are dealt with as a movement in reserves. Such translation differences are recognised as income or expenses in the year in which the operation is disposed of.

(n) Retirement benefit costs

The contributions to defined contribution retirement schemes are charged to the consolidated income statement as they become payable in accordance with the rules of the schemes.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provisions and contingent liabilities

Provisions are recognised liabilities for uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is probable that an outflow of economics benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economics benefits is remote.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

4. TURNOVER AND OTHER REVENUE

Turnover represents the net amounts received and receivable for sale of goods by the Group to outside customers.

An analysis of the Group's turnover and other revenue is as follows:

	2004	2003
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**941,577**	654,273
Other revenue		
Interest income	**288**	201
	941,865	654,474

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Analysis of turnover and contribution to operating results and assets and liabilities by business segment has not been prepared as the Group has only one business segment which is the manufacturing and trading of steel pipes, steel sheets and other products made of steel.

As the Group's turnover for the year ended 31 December 2004 are substantially made to customers based in the PRC and the operations, assets and liabilities of the Group are substantially located in the PRC, no separate analysis for the geographical segment information is presented accordingly.

6. OTHER INCOME

	2004	2003
	RMB'000	*RMB'000*
Scrap sales	**6,366**	3,891
Exchange gains, net	**1,388**	397
Sundry income	**115**	79
	7,869	4,367

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2004	2003
	RMB'000	*RMB'000*
Auditors' remuneration	**373**	93
Cost of inventories recognised as expenses	**827,767**	575,017
Depreciation and amortisation	**8,159**	8,492
Loss on disposal of property, plant and equipment	**142**	214
Operating leases in respect of		
– rented premises	**239**	168
– motor vehicles	**660**	805
Provision for doubtful debts	**200**	671
Contribution to defined contribution retirement schemes	**1,397**	436
Staff costs (including directors' remuneration)	**17,731**	7,820

8. FINANCE COSTS

	2004	2003
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**5,375**	3,272

9. TAXATION

The charge comprises:

	2004	2003
	RMB'000	*RMB'000*
PRC enterprise income tax		
Current year	**5,019**	3,065
Overprovision of prior years	**–**	(203)
Deferred taxation *(note 19)*	**–**	(29)
	5,019	2,833

Pursuant to the relevant laws and regulations in the PRC, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation in 2000 and thereafter, it will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. The charge of PRC enterprise income tax for the year has been provided for after taking these tax incentives into account.

Income tax of the other companies comprising the Group is calculated at tax rates applicable to the jurisdictions in which they are incorporated/registered.

9. TAXATION *(Continued)*

The charge for the year can be reconciled to the profit before taxation as follows:

	2004	2003
	RMB'000	*RMB'000*
Profit before taxation	**60,160**	40,830
Tax at PRC enterprise income tax at 15% (2003: 15%)	**9,024**	6,125
Tax effect of tax exemption	**(5,017)**	(3,160)
Tax effect of utilisation of deferred assets	**–**	(31)
Tax effect on non-deductible expenses	**588**	219
Tax effect on non-taxable income	**(25)**	–
Overprovision in respect of prior years	**–**	(203)
Others	**449**	(117)
	5,019	2,833

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders includes a profit of approximately RMB3,125,000 (2003: Nil) which has been dealt with in the financial statements of the Company for the year ended 31 December 2004.

11. DIVIDENDS

The directors propose the payment of final dividend of RMB 3 cents per share totaling RMB12,000,000 in respect of the year ended 31 December 2004.

During the year ended 31 December 2003, Bamian Investments Pte Ltd, the Company's subsidiary, declared and paid a dividend of RMB31,500,000 to its then shareholders prior to the Group Reorganisation in preparation for the listing of the Company's shares as referred to the Company's Prospectus dated 10 June 2004.

12. EARNINGS PER SHARE

The calculations of the basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately RMB41,229,000 (2003: RMB29,444,000) and the weighted average of 353,150,685 (2003: 300,000,000) shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2003 included the pro forma issued share capital of the Company, comprising one share issued at par upon incorporation of the Company, one share issued for the acquisition of the entire issued share capital of Bamian Investments Pte Ltd. and the capitalisation issue of 299,999,998 shares of the Company.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2004 also includes additional 100,000,000 shares issued up the listing of the shares of the Company on 21 June 2004.

There were no potential dilutive shares in existence for the year ended 31 December 2004 and 2003, and accordingly, no diluted earnings per share amount has been presented.

13. DIRECTORS' REMUNERATION

	2004 ***RMB'000***	2003 *RMB'000*
Fees:		
– Executive directors	**2,616**	400
– Non-executive directors	**112**	–
– Independent non-executive directors	**162**	–
	2,890	400
Directors:		
– Salaries and other benefits	**1,506**	400
– Bonus	**1,384**	–
– Retirement benefits scheme contributions	**–**	–
Total remuneration	**2,890**	400

During the year, no remunerations were paid by the Group to any directors or any five highest paid individuals (note 14) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any remunerations during the year.

13. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of the directors was within the following bands:

	2004 **Number of Directors**	2003 Number of Directors
Nil to RMB1,064,900 (HK$1,000,000)	**10**	10
RMB1,064,901 (HK$1,000,001) to RMB2,129,800 (HK$2,000,000)	**1**	–
	11	10

14. FIVE HIGHEST PAID EMPLOYEES

During the year, the five highest paid individuals in the Group included two (2003: two) directors, details of those emolument are set out in note 13 above. The emoluments of the remaining three (2003: three) individuals for the year ended 31 December 2004 were as follows:

	2004 ***RMB'000***	2003 *RMB'000*
Salaries and other benefits	**884**	416
Bonus	**1,172**	–
Retirement benefits scheme contributions	**–**	–
	2,056	416

The remuneration of the individuals was within the following band:

	2004 **Number of employees**	2003 Number of employees
Nil to RMB1,064,900 (HK$1,000,000)	**3**	3

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Building and factory premises in the PRC *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost							
At 1 January 2004	33,331	1,331	8,034	3,184	62,076	967	108,923
Additions	1,053	15,122	180	403	5,780	–	22,538
Transfers	8,011	(8,593)	–	204	378	–	–
Disposals	(144)	–	(8,034)	(468)	(1)	–	(8,647)
At 31 December 2004	42,251	7,860	180	3,323	68,233	967	122,814
Depreciation							
At 1 January 2004	8,802	–	4,401	1,809	26,380	377	41,769
Provided for the year	1,606	–	25	330	5,802	174	7,937
Eliminated on disposals	(45)	–	(4,401)	(420)	(1)	–	(4,867)
At 31 December 2004	10,363	–	25	1,719	32,181	551	44,839
Net book value							
At 31 December 2004	31,888	7,860	155	1,604	36,052	416	77,975
At 31 December 2003	24,529	1,331	3,633	1,375	35,696	590	67,154

The building and factory premises are situated in the PRC and are held under medium term lease.

At 31 December 2004, the Group's property, plant and equipment with carrying value of RMB60,567,000 (2003: RMB38,358,000) were pledged to certain banks for banking facilities granted to the Group (note 30).

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
Additions and at 31 December 2004	180	120	300
Depreciation			
Provided for the year and at 31 December 2004	25	16	41
Net book value			
At 31 December 2004	155	104	259

16. LAND USE RIGHTS

	2004	2003
	RMB'000	*RMB'000*
Cost		
At beginning and end of the year	**11,098**	11,098
Amortisation		
At beginning of the year	**1,794**	1,572
Amortised for the year	**222**	222
At end of the year	**2,016**	1,794
Net book values		
At end of the year	**9,082**	9,304

The land use rights owned by the Group is held under medium term lease for a term of 50 years commencing from 23 December 1995.

As at 31 December 2004, the land use rights with carrying value of RMB9,082,000 (2003: RMB9,304,000) were pledged to a bank to secure the banking facilities granted to the Group (note 30).

17. CLUB DEBENTURES

	2004	2003
	RMB'000	*RMB'000*
Cost	**1,294**	1,294
Less: Impairment loss recognised	**(574)**	(574)
	720	720

18. INTERESTS IN SUBSIDIARIES

	2004	2003
	RMB'000	*RMB'000*
Unlisted shares, at cost	**141,211**	141,211

Details of the Company's subsidiaries as at 31 December 2004 are as follows:

Company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of interest held		Principal activities
			Direct	Indirect	
Bamian Investments Pte Ltd.	Singapore	US$10,100,875	100%	–	Investment holding
Guangzhou Mayer Corp., Ltd. ("Guangzhou Mayer")	PRC	RMB127,500,000	–	77.52%	Manufacture and trading of steel pipes, steel sheets and other products made of steel

Note: Guangzhou Mayer is a joint stock limited liability company established under the laws of the PRC.

19. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised by the Group and movements thereon during the year:

	2004	2003
	RMB'000	*RMB'000*
At beginning of the year	**268**	239
Credit for the year *(note 9)*	**–**	29
At end of the year	**268**	268

	Deferred assets	**Impairment loss on club debentures and property, plant and equipment**	**Allowance for doubtful debts**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2003	11	64	164	239
(Charge)/credit for the year	(11)	(21)	61	29
At 31 December 2003	–	43	225	268
(Charge)/credit for the year	–	(11)	11	–
At 31 December 2004	–	32	236	268

20. INVENTORIES

	2004	2003
	RMB'000	*RMB'000*
Raw materials	**84,604**	58,041
Finished goods	**28,774**	18,992
	113,378	77,033

All the inventories are stated at cost at both balance sheet dates.

21. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period of 40-100 days to its trade customers and may be extended to selected customers depending on their trade volume and settlement with the Group.

An ageing analysis of trade receivables is as follows:

	2004	2003
	RMB'000	*RMB'000*
1 – 30 days	**96,092**	59,717
31 – 60 days	**75,258**	62,753
61 – 90 days	**37,143**	40,936
91 – 180 days	**17,005**	24,033
Over 180 days	**577**	–
Trade receivables	**226,075**	187,439

22. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest free and repayable on demand.

23. TRADE PAYABLES

An ageing analysis of the trade payables is as follows:

	2004	2003
	RMB'000	*RMB'000*
1 – 30 days	**15,776**	4,011
31 – 60 days	**1,000**	655
61 – 90 days	**1,076**	–
91 – 180 days	**21**	27
Over 180 days	**7**	142
Trade payables	**17,880**	4,835

24. BORROWINGS

The borrowings are repayable within one year and are analysed as follows:

	2004	2003
	RMB'000	*RMB'000*
Bank loans, secured	**168,744**	57,865
Bank loans, unsecured	**62,063**	129,618
	230,807	187,483

25. ISSUED CAPITAL

	Note	**Number of authorised shares**	**Number of shares issued**	**Nominal value of shares issued**
				RMB'000
On 9 October 2003, one subscriber share was issued and fully paid	*(a), (b)*	1,000,000	1	–
At 31 December 2003		1,000,000	1	–
Shares issued as consideration for the acquisition of the entire issued share capital of Bamian Investments Pte Ltd.	*(c)*	–	1	–
Increased in authorised share capital	*(d)*	999,000,000	–	–
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares	*(e)*	–	299,999,998	31,860
New Issue on public listing	*(f)*	–	100,000,000	10,620
At 31 December 2004		**1,000,000,000**	**400,000,000**	**42,480**

25. ISSUED CAPITAL *(Continued)*

Notes:

(a) Upon incorporation on 9 October 2003, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.1 each;

(b) On 9 October 2003, one subscriber share of HK$0.1 was allotted at par and issued fully paid;

(c) On 12 December 2003, as part of the Group Reorganisation as set out in note 2(a) to the financial statements, 1 share of the Company was allotted at par and issued, credited as fully paid, to Bamian Investments Pte Ltd as consideration for the acquisition by the Company;

(d) On 24 May 2004, the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of a further 999,000,000 shares of HK$0.1 each, ranking pari passu in all respects with the existing shares of the Company;

(e) Pursuant to the written resolutions of the sole shareholder of the Company passed on 24 May 2004, conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalise the amount of HK$29,999,999.80 from the amount standing to the credit of the share premium account of the Company as a result of the Company's initial public offering on 21 June 2004 and to appropriate such amount as paid up in full at par 299,999,998 shares for allotment and issue to the person whose names appear on the register of members of the Company at the close of business on 24 May 2004, in proportion to its/their then existing shareholdings in the Company; and

(f) In connection of the Company's initial public offering on 21 June 2004, 100,000,000 shares of HK$0.1 each (the "Offer Shares"), were issued at HK$0.55 each for a total consideration, before expenses, of HK$55,000,000. The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

26. SHARE OPTION SCHEME

The Share Option Scheme was adopted on 24 May 2004 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 24 May 2014. Under the Share Option Scheme, the Board may grant options to eligible full time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries.

Up to 31 December 2004, no options have been granted since the adoption of the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant to the 10 years of the date of grant. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

27. RESERVES

Company

	Special reserve	**Share premium**	**Retained profits**	**Proposed final dividend**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2003 and 1 January 2004	141,211	–	–	–	141,211
Capitalisation issue of shares	–	(31,860)	–	–	(31,860)
New issue on public listing	–	47,790	–	–	47,790
Share issue expenses	–	(11,854)	–	–	(11,854)
Profit for the year	–	–	3,125	–	3,125
Proposed final dividend	(12,000)	–	–	12,000	–
At 31 December 2004	**129,211**	**4,076**	**3,125**	**12,000**	**148,412**

27. RESERVES *(Continued)*

Company *(Continued)*

The special reserve represented the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying assets of the subsidiaries pursuant to the Group Reorganisation on 12 December 2003.

Subject to the Companies Law of the Cayman Islands and the Article of Association of the Company, the share premium and special reserve are distributable to the shareholders of the Company.

Movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 22.

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of motor vehicles and rented premises which fall due as follows:

	2004	2003
	RMB'000	*RMB'000*
Motor vehicles		
Within one year	**133**	330
Rented premises		
Within one year	**397**	168
In the second to fifth years inclusive	**553**	336
	950	504

Leases are negotiated for term of one to four years with fixed monthly rentals over the term of the leases.

29. OTHER COMMITMENTS

	2004	2003
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**10,649**	3,401
Foreign currency contracts	**130,905**	–

The Company did not have any significant capital commitments at both balance sheet dates.

30. PLEDGE OF ASSETS

At 31 December 2004, the Group pledged the land use rights with a carrying value of RMB9,082,000 (2003: RMB9,304,000), and property, plant and equipment with a carrying value of RMB60,567,000 (2003: RMB38,358,000) to banks to secure banking facilities to the extent of RMB54,738,000 (2003: Nil) granted to the Group.

31. CONTINGENT LIABILITIES

At 31 December 2004, the Company has given corporate guarantees in favour certain banks to secure banking facilities of RMB173,808,000 (US$21,000,000) (2003: Nil) granted to Guangzhou Mayer, a subsidiary. Out of these banking facilities, RMB104,320,000 (US$12,604,200) was utilised by Guangzhou Mayer as at 31 December 2004 (2003: Nil).

Apart from the above, the Company and the Group have no other material contingent liabilities at both balance sheet dates.

32. EMPLOYEE RETIREMENT BENEFITS

The Company and its subsidiaries participate in defined contribution retirement schemes governed by the relevant local government authorities in which they operated.

The Company operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Company contributes 5% of the relevant payroll to the Scheme, which contribution is matched by employees. The Company's employer contribution vest fully with the employees when contributed into the scheme.

The Company's subsidiary in the PRC is required to make monthly contributions to the retirement schemes up to the time of retirement of the eligible employees, at a rate of 12% of the local standard basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

As of 31 December 2004, the Group had no obligation apart from the contributions as stated above. There were no forfeited contributions, which arose upon employees leaving the retirement benefits schemes.

33. RELATED PARTY TRANSACTIONS

The Group had the following related party transaction which was conducted in the ordinary course of the Group's business:

Name	Capacity	Nature of transaction	2004	2003
			RMB'000	*RMB'000*
Lo Haw and his spouse	Director of the Company	Rental paid *(Note)*	**120**	168

Note: The rental, which was paid for premises owned by Mr. Lo Haw and his spouse was determined with reference to the prevailing market rental.

34. ULTIMATE HOLDING COMPANY

The directors regard Mayer Steel Pipe Corporation, a company incorporated in the Republic of China, as being the ultimate holding company.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December			
	2001	**2002**	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	316,083	475,528	654,273	941,577
Profit before taxation	12,407	52,421	40,830	60,160
Taxation	45	(3,696)	(2,833)	(5,019)
Profit before minority interests	12,452	48,725	37,997	55,141
Minority interests	–	(3,919)	(8,553)	(13,912)
Profit for the year	12,452	44,806	29,444	41,229
Dividends	–	–	31,500	12,000
Earnings per share				
– basic *(RMB)*	4 cents	15 cents	10 cents	12 cents

CONSOLIDATED BALANCE SHEET

	At 31 December			
	2001	**2002**	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	80,547	84,065	77,446	88,045
Current assets	135,989	244,143	302,632	453,854
Current liabilities	(123,069)	(152,727)	(198,157)	(260,998)
	93,467	175,481	181,921	280,901
Issued capital	78,508	83,570	–	42,480
Reserves	14,959	59,754	141,211	174,666
Proposed final dividend	–	–	–	12,000
Minority interests	–	32,157	40,710	51,755
	93,467	175,481	181,921	280,901