美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

stock code : 1116

Annual Report 2005

* 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, *L.L.B., P.C.LL., LL.M*

QUALIFIED ACCOUNTANT

Mr. Chan Lai Yin, Tommy, *AICPA, CPA*

REGISTERED OFFICE

P.O. Box 309GT
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

Masons
50th Floor, Central Plaza
No. 18 Harbour Road
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
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FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2001	2002	2003	2004	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	316,083	475,528	654,273	941,577	1,056,629
Profit before taxation	12,407	52,421	40,830	60,160	1,638
Taxation	45	(3,696)	(2,833)	(5,019)	(878)
Profit before minority interests	12,452	48,725	37,997	55,141	760
Minority interests	–	(3,919)	(8,553)	(13,912)	(452)
Profit for the year	12,452	44,806	29,444	41,229	308
Dividends	–	–	31,500	12,000	4,000
Earnings per share					
– basic *(RMB)*	4.15 cents	14.94 cents	9.81 cents	11.70 cents	0.08 cent

CONSOLIDATED BALANCE SHEET

	At 31 December				
	2001	2002	2003	2004	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	80,547	84,065	77,446	88,045	217,475
Current assets	135,989	244,143	302,632	453,854	655,948
Current liabilities	(123,069)	(152,727)	(198,157)	(260,998)	(543,844)
Non-current liabilities	–	–	–	–	(48,486)
	93,467	175,481	181,921	280,901	281,093
Issued capital	78,508	83,570	–	42,480	42,480
Reserves	14,959	59,754	141,211	174,666	168,744
Proposed final dividend	–	–	–	12,000	4,000
Minority interests	–	32,157	40,710	51,755	65,869
	93,467	175,481	181,921	280,901	281,093

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 2005 was a year with great challenges, despite of which, the Group has made achievement in progressing our business towards a sustainable growth path.

The Group overcame various difficulties in the second half of the year. As the PRC macro-economic and control measures toughened, our main business (iron and steel processing) suffered. Under such circumstances, demand for steel products shrunk, the market was in a glutted situation that supply exceeded demand and steel price fluctuated significantly, which kept the production cost at a high level and affected the Group's operation.

In response to the changes in market conditions mentioned above, the Group promptly made corresponding adjustments in its business strategy and management and successfully fulfilled various tasks, including:

Business:

- The Group's Phase III iron and steel production plant was completed and commenced production, which would optimize its production structure and maximize its economic efficiency.

- The Group continued to expand its direct export business of iron and steel products and keep pace with trends of the international market. We will also establish allied "industrial chains" with major customers so as to minimise the risk of pricing.

- During the year, the Group purchased two passenger aircrafts for lease purposes and signed a lease agreement for a term of three years, yielding a reasonable return and cash flow to the Group.

- In October, by acquiring Fullchamp Technologies Co., Ltd ("Fullchamp") which is principally engaged in manufacture of aluminum forged and forged-spun wheels for automobiles, the Group successfully diversified its operations into metal-processing related auto parts business.

Management:

- The Group reinforced its management over production, sales and finance, thus managed to balance the production and sales of its products, ensuring timely fund collection energy saving and effective control on various costs and expenses.

Development:

- The Group will be dedicated to developing Fullchamp into a major manufacturer of aluminum forged and forged-spun wheels for automobiles in both Mainland China and Taiwan. The Group will also expand its sales channel to cope with the expected rapid growth of business and sales volume in the coming years.

The Group is in healthy state of affairs with steady growth in economic efficiency. The economic indicators are growing favorably, with the turnover and sales volume growing steadily or maintaining at a stable level.

FUTURE DEVELOPMENT

Looking forward to the coming year, it is envisaged that the Group's steel production growth rate will slowdown in 2006 as it has experienced rapid growth for several years. With the expectation that the PRC macro-economic and control measures will be moderate and the Chinese economy will still go at a stable pacet, it is estimated that the price of steel products will rise steadily with tiny fluctuation.

The Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increase output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

To sustain the development of the Group, we will give full consideration to every investment opportunity which is beneficial to the Group, with an aim to generate greater return from investments. Among our various investments, we are also considering with the extensive experience of the board members and the management to bring in other other metal-processing and real estate development businesses, in addition to the newly acquired Fullchamp which is principally engaged in metal-processing 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 delightful operation 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 RMB1,056,629,000, representing an increase of approximately 12.2% compared with approximately RMB941,577,000 for the last year while the net profit attributable to shareholders was approximately RMB308,000, representing a decrease of approximately 99.3% compared with approximately RMB41,229,000 for the last year.

BUSINESS REVIEW

Steel price roared to historical high in the first quarter, due to lower increase in new resources of steel in the PRC in the beginning of the year, as well as the expected impact of rising price of iron ore. Subsequently, following the escalating macro-economic control over the market, steel demand grew at a slower pace, in addition to the release of production capacity within the industry, new resources in the PRC increased substantially. Eventually, the prices of steel products have dropped significantly in the second half of 2005. The profitability of the Group's main business recorded a considerable shrink. Sales volume of steel products decreased 2.1% from approximately 142,000 tonnes for the last year to approximately 139,000 tonnes. Although the selling price of the Group's steel products increased by approximately 15.0% compared with that for the last year, the gross profit decreased and was mainly because of relatively lower growth rate of the selling prices of our steel products as compared to that of the purchasing costs of raw materials and fuels during the year.

PRODUCTION AND SALES

The revenue from domestic sales of steel products in the PRC during the year was approximately RMB120,095,000, representing an decrease of approximately 17.4% compared with approximately RMB145,406,000 last year.

The revenue from indirect export sales of steel products in the PRC during the year was approximately RMB919,835,000, representing an increase of approximately 16.5% compared with approximately RMB789,859,000 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 steel products outside the PRC during the year was approximately RMB8,602,000 while it was approximately RMB6,312,000 for the last year. The Group will continue to develop and maintain a good momentum of the international market, especially the newly launched product (stainless steel pipes) which has been exported to countries such as the U.S. and Vietnam.

The revenue from export sales of aluminum forged wheel products outside Taiwan during the two months period since the Group's acquisition of Fullchamp Technologies Co., Ltd in October 2005 was approximately RMB8,097,000. The Group will put great effort on developing its marketing and sales channels in order to achieve a profitable economic of scale.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB41,067,000 for the year, with a gross profit margin of approximately 3.9%, compared with the gross profit of approximately RMB99,378,000 and a gross profit margin of approximately 10.6% for the last year. This was mainly attributable to the lower growth rate of the selling prices of our products as compared to that of the purchasing costs of raw materials and fuels, coupled with tight supply of power and transport.

OPERATING EXPENSES

The total operating expenses of the Group for the year were approximately RMB57,769,000, of which approximately RMB9,853,000 in distribution costs, RMB30,558,000 in administrative expenses, RMB2,986,000 in other operating expenses and RMB14,372,000 in finance costs, accounting for approximately 0.9%, 2.9%, 0.3% and 1.4% of turnover respectively while the amounts for the last year were approximately RMB9,954,000, RMB28,124,000, RMB3,922,000 and RMB5,375,000 respectively, accounting for approximately 1.1%, 3.0%, 0.4% and 0.6% respectively.

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 2005 was approximately 198.6% (2004: 100.7%). The total borrowings of the Group amounted to approximately RMB427,511,000 (2004: RMB230,807,000), mainly denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars with floating interest rates. The Group's short term loans from banks accounted for approximately 43.4% of the total assets (2004: 42.6%).

The current ratio (current assets divided by current liabilities) as of 31 December 2005 was approximately 1.21 (2004: 1.74). The Group continued 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 outflow of approximately RMB142,085,000 was used in operating activities for the year, mainly resulted from the increase of inventories level of the Group. Despite approximately RMB957,388,000 raised from bank borrowings, the net decrease in cash and cash equivalents amounted to approximately RMB75,687,000, as a result of net cash outflow of approximately RMB37,150,000 used for plant expansion and purchase of machinery and equipment and RMB12,000,000 dividend paid. Cash and cash equivalents as at 31 December 2005 amounted approximately RMB27,136,000, mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars.

EXCHANGE RATE EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars and those currencies remained relatively stable during the year, the Group was not exposed to any significant exchange risk. Meanwhile, the Group is also studying and implementing various measures in relation to reducing any exchange impact from the revalued of Renminbi against US dollars and new Taiwan dollars.

PLEDGE OF ASSETS

As at 31 December 2005, property, plant and equipment and interest in leasehold land held for own use under an operating lease of the Group with net book value of approximately RMB159,791,000 and RMB8,860,000 respectively were pledged to secure bank borrowings.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (2004: Nil). At 31 December 2005, the Company had provided corporate guarantees of RMB145,263,000 (2004: RMB173,808,000) in favour of certain banks for banking facilities granted to a subsidiary. These banking facilities had been utilised to the extent of approximately RMB96,983,000 at the balance sheet date (2004: RMB104,320,000).

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2005, the Group had a total of 480 employees. Total staff costs for the year ended 31 December 2005 were approximately RMB18,640,000, including retirement benefits cost of approximately RMB1,474,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

OUTLOOK

Under the macro-economic control policy, the growth rate will slow down in 2006. According to the "Strategy on the Development of the Steel Industry" promulgated by the State, the development of the steel industry will be directed towards controlled volume, technology upgrade, industrial layout and product mix adjustment, so as to combine the impact of an increase in new capacity with the phasing out of backward capacity. Following the completion of Phase III of our plant and the new installation of steel-cutting and pipe-making machines, the Group's future production capacity and market competitiveness would be enhanced to meet the steady but moderately fast growth of the national economy of the PRC. 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 those markets.

Looking forward to 2006, the Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increased output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lai Yueh-hsing (賴粵興), aged 48, is an executive director and the chairman of the Company. 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 Pipe Corporation ("Taiwan Mayer").

Mr. Lo Haw (羅漢), aged 43, 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 14 years of experience in the steel pipe and sheet industry. Prior to his appointment as director of Guangzhou Mayer Corp., Limited ("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 51, 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 22 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 70, 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 32 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 54, 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 40, is an executive director of the Company responsible for financial activities of the Group. He has over 14 years of experience in the steel pipe and sheet industry. Mr. Chiang is currently the executive assistant to the general manager of Taiwan Mayer.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

NON-EXECUTIVE DIRECTORS

Mr. Hsiao Ming-chih (蕭敏志), aged 46, 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 49, 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 41, 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 45, is an independent non-executive director of the Company. Mr. Huang obtained a Master degree in Accountancy from National Chengchi University. He has over 12 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 45, 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.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT AND COMPANY SECRETARY

SENIOR MANAGEMENT

Mr. Chan Lai Yin Tommy (陳禮賢), aged 35, is the financial controller and qualified accountant of the Group and a member of the senior management of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Chan has over 11 years of experience in audit and accounting field. Prior to joining the Company, he held the posts of financial controller and company secretary of a listed company in Hong Kong.

Mr. Chang Yin-kwang (張銀光), aged 66, is the chief business consultant of Guangzhou Mayer responsible for its overall business strategy formulation. He has over 32 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. Shen Chin-an (沈金安), aged 45, 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 38, 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 47, 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.

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.

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 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 22 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 32.

The directors recommend the payment of final dividend of RMB1 cent per ordinary share, totaling RMB4,000,000, out of the Company's special reserve in respect of the year ended 31 December 2005 (2004: RMB12,000,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 3.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2005 are set out in note 22 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the financial statements.

RESERVES

Details of movements of the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves of the Company at 31 December 2005 amounted to RMB128,867,000 (2004: RMB148,412,000).

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 20% of the Group's total turnover for the year. The largest and the five largest suppliers accounted for 45% and 82% 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.

SHARE OPTION SCHEME

The share option scheme was adopted on 24 May 2004 (the "Share Option Scheme") for the primary purpose of providing incentive and to recognize 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 2005, 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

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

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

DIRECTORS

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
Mr. Cheng Dar-terng
Mr. Chiang Jen-chin

Non-executive directors

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

Independent non-executive directors

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

In accordance with article 112 of the Company's Articles of Association, each of Mr. Lo Haw, Mr. Shen Heng-chiang and Mr. Wu Kuo-lung will retire by rotation at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

Biographical details of the directors of the Company are set out on pages 9 to 10.

DIRECTORS' SERVICE CONTRACTS

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 agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS *(continued)*

The Company has received from each of its independent non-executive directors an annual confirmation of his independence in 2005 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 contracts 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 42 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 2005, 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 meaning 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 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, were as follows:

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

Name of director	Number of ordinary shares in Taiwan Mayer: Personal	Family	Corporate	Other	Total	Approximate % of shareholding
Mr. Lo Haw	171,311	923	9,424,962	–	9,597,916	6.29%
Mr. Cheng Dar-terng	757,769	29,298	–	–	787,067	0.52%
Mr. Chiang Jen-chin	792	–	–	–	792	0.00%
Mr. Shen Heng-chiang	–	7,000	–	–	7,000	0.01%
Mr. Wu Kuo-lung	3,141,164	49,607	–	–	3,190,771	2.09%

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY *(continued)*

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

Name of director	Number of ordinary shares in Guangzhou Mayer Personal	Family	Corporate	Other	Approximate % of total shareholding
Mr. Lo Haw	–	–	8,160,000	–	6.40%

Save as disclosed above, as at 31 December 2005, none of the directors or chief executives of the Company nor their respective associates, had any interests and 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 period.

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 2005, 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.

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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 42 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(1) 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 minimis continuing connected transaction exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with Rule 14A.33(3) of the Listing Rules.

(2) On 1 May 2005, the Group entered into an aircraft lease agreement with Daily Air Corporation, Inc. (the "Daily Air") regarding the leasing of two aircrafts and the provision of consultancy services for a term of three years commencing on 1 May 2005. Mr. Huang Chun-fa, a non-executive director of the Company, is a substantial shareholder of Daily Air. Pursuant to the lease agreement, Daily Air agreed to pay a monthly rental fee and consultancy fee payable of USD26,000 for each aircraft and USD10,000, for the three years ending 31 December 2007, respectively. In the opinion of the directors of the Company, the lease 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 continuing connected and discloseable transaction exempted from the independent shareholders' approval requirements in accordance with Rule 14A.38 of the Listing Rules.

    Further details are set out in the Company's circular dated 6 May 2005.

(3) On 12 August 2005, an ordinary resolution was passed that Guangzhou Mayer, a subsidiary of the Company, will provide a corporate guarantee (the "Guarantee") of maximum amount of RMB60,000,000 in favour of certain banks of Shanghai Fervent Alloy Wheel Manufacturing Co., Ltd., a fellow subsidiary of the Company. Pursuant to the enforcement of the Guarantee, Guangzhou Mayer will receive a back-to-back guarantee from Taiwan Mayer. This transaction constitutes a connected and discloseable transaction in accordance with the Listing Rules.

    Further details are set out in the Company's circular dated 15 July 2005.

POST BALANCE SHEET EVENTS

The Group and the Company had no material post balance sheet events as at the balance sheet date.

OTHER MATTERS

Acquisition of 51.83% interest in Fullchamp Technologies Co., Ltd. (the "Fullchamp")

On 1 November 2005, Sunbeam Holdings Limited, a wholly owned subsidiary of the Company, completed its acquisition of approximately 51.83% interest in the Fullchamp. The total consideration paid by the Group amounted to NTD167,630,000 and was satisfied by cash. Fullchamp is principally engaged in the design, development and manufacture of aluminum forged and forged-spun wheels for automobiles. The directors of the Company believe that the products of Fullchamp, which are targeted to the spare parts of motor vehicles, are in line with the Company's overall business strategy and the acquisition will be beneficial to the Group.

Senior management and company secretary

Biographical details of the senior management and company secretary of the Group are set out on page 11.

AUDITORS

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Lai Yueh-hsing
Chairman

Hong Kong, 25 April 2006

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identify and formalize the best corporate governance practices appropriate to the needs of its business.

The Company's corporate governance practices are based on the principles ("**Principles**") and the code provisions ("**Code Provisions**") as set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"). The Company has complied with most of the Code Provisions save for the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG Code and certain deviations from the Code Provisions in respect of Code Provisions A.4.1 and A.4.2 and Code Provision E.1.2, details of which are explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The Company wishes to highlight the importance of its board of directors ("**Board**") in ensuring effective leadership and control of the Company and transparency and accountability of all operations.

The key corporate governance principles and practices of the Company are summarised as follows:

BOARD OF DIRECTORS

As at 31st December 2005, the Board consisted of six executive directors and five non-executive directors (of whom three are independent).

The independent non-executive directors are all experienced individuals from a range of industries and geographies. Their mix of professional skills and experience is an important element in the proper functioning of the Board and in ensuring a high standard of objective debate and overall input to the decision-making process. The Board has received from each independent non-executive director a written confirmation of their independence and has satisfied itself of such independence up to the approval date of this report in accordance with the Listing Rules.

The biographical details of the directors are provided on pages 9 to 10 of this report.

The Code Provision A.2.1 stipulated that the roles of chairman of the Board (the "**Chairman**") and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lai Yueh-hsing has been both the Chairman and chief executive officer of the Company. Given the Company's current stage of development, the Board considers that vesting the roles of Chairman and chief executive officer in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

THE BOARD AT WORK

The Board is accountable to shareholders for the activities and performance of the group. It meets in person on a half-yearly basis and on other occasions when a Board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters.

The majority of Board meetings are scheduled to last one full day, with directors receiving details of agenda items for decision and minutes of committee meetings in advance of each Board meeting.

Although the capacity of any board to involve itself in the details of a large international business is limited, the Company aims to provide its independent non-executive directors with extensive exposure and access to its operations and management. Over the past two years, the number and duration of Board meetings have increased and the Board agenda is structured to address the broad spectrum of key governance issues on a regular and systematic basis.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Major corporate matters that are specifically delegated by the Board to management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Group's chief financial officer also attends all board meetings to advise on corporate governance, risk management, statutory compliance, mergers and acquisitions, and accounting and financial matters.

None of the members of the Board is related to one another.

During the year ended 31 December 2005, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director processing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive directors together have substantial experience in fields of auditing, business, accounting, corporate internal control and regulatory affairs. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

The Company has not yet adopted Code Provision A.4.1 which provides that non-executive directors should be appointed for a specific term, subject to re-election. All the non-executive directors of the Company are not appointed for a specific term although in practice they are subject to retirement on rotation and re-election at the Company's annual general meetings pursuant to the Company's Articles of Association. In accordance with Article 112 of the Company's Articles of Association, one-third of the directors (save for the Managing Director), or if their number is not three nor a multiple of three, then the number nearest to one-third but exceeding one-third, shall retire from office and being eligible, offer themselves for re-election at annual general meetings.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with Article 117 of the Company's Articles of Association, any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

In order to ensure full compliance of the Company's Articles of Association with Code Provisions A.4.1 and A.4.2 of the CG Code, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Company's Articles of Association so that all directors will be subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

COMMITTEES

The monitoring and assessment of certain governance matters are allocated to three committees which operate under defined terms of reference. The composition of the committees during 2004/05 and up to the date of this report is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Lai Yueh-hsing *(Chairman)*		Chairman	Chairman
Lo Haw			
Shen Heng-chiang			
Wu Kuo-lung			
Cheng Dar-terng			
Chiang Jen-chin			
Non-Executive Directors			
Hsiao Ming-chih		Member	Member
Huang Chun-fa			
Independent Non-Executive Directors			
Lin Sheng-bin	Member	Member	Member
Huang Jui-hsiang	Chairman	Member	Member
Alvin Chiu	Member	Member	Member

AUDIT COMMITTEE

The Audit Committee is comprised of three independent non-executive directors who together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs.

The committee is responsible for monitoring the reporting, accounting, financial and control aspects of the executive management's activities. It has full access to the Group's chief financial officer to hear directly any concerns of the internal audit department that may have arisen during the course of the department's work.

The committee also monitors the appointment and function of the Group's external auditor.

CORPORATE GOVERNANCE REPORT *(continued)*

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 August 2005 and is comprised of three independent non-executive directors, one non-executive director and one executive director (as the Committee Chairman).

The committee determines the compensation structure and rewards for the chief executive officer and other executive directors and monitors the policies being applied in remunerating other senior executives in the Group. In addition, it has responsibility for reviewing and making appropriate recommendations to the Board on management development and succession plans for executive directors and senior management levels.

The fundamental policy underlying the Company's remuneration and incentive schemes is to link total compensation for senior management with the achievement of annual and long-term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the Company seeks to attract, motivate and retain key executives essential to its long-term success. Senior management incentive schemes include any equity component that is designed to align the long-term interest of management with those of shareholders.

NOMINATION COMMITTEE

The Nomination Committee was established on 22 August 2005 and is comprised of three independent non-executive directors, one non-executive director and one executive director (as the Committee Chairman).

The committee is responsible for the identification and evaluation of candidates for appointment or reappointment as a director, as well as the development and maintenance of the Group's overall corporate governance policies and practices.

BOARD AND COMMITTEE ATTENDANCE

The Board held six regular meetings in 2005 and the average attendance rate was 76%. Details of the attendance of individual directors at Board meetings and committee meetings during the 2004/05 financial year are set out in the table below.

	Number of meetings attended/held			
Directors	**Full Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Director				
Lai Yueh-hsing	6/6		1/1	1/1
Lo Haw	1/6			
Shen Heng-chiang	1/6		1/1	1/1
Wu Kuo-lung	5/6			
Cheng Dar-terng	6/6			
Chiang Jen-chin	6/6			
Non-Executive Directors				
Hsiao Ming-chih	6/6		1/1	1/1
Huang Chun-fa	6/6			
Independent Non-Executive Directors				
Lin Sheng-bin	5/6	2/2	1/1	1/1
Huang Jui-hsiang	5/6	2/2	1/1	1/1
Alvin Chiu	3/6	2/2	1/1	1/1
Average attendance rate	76%	100%	100%	100%

PRACTICES AND CONDUCT OF MEETINGS

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or to the relevant committee members at least 2 days before each Remuneration Committee Meeting or at least 3 days before each Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings and committee meetings are kept by the company secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained within the Group, and for reviewing its effectiveness through the Audit Committee.

The internal control system, which includes a defined management structure with specified limits of authority, is designed to (a) help the achievement of business objectives, and safeguard the Group's assets; (b) ensure proper maintenance of accounting records; and (c) ensure compliance with relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives.

The processes to identify and manage key risks to the achievement of the Group's strategic objectives are an integral part of the internal control environment. Such processes include strategic planning, the appointment of senior management, the regular monitoring of performance, control over capital expenditure and investments and the setting of high standards and targets for safety, health and environmental performance.

The management maintains and monitors the system of controls on an ongoing basis.

The Group's internal audit department, under the supervision of the chief financial officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports directly to the Audit Committee on a regular basis.

During 2004/2005, based on the evaluations made by the management, the chief financial officer and external auditors, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate; and there is an ongoing process to identify, evaluation and manage significant risks faced by the Group.

EXTERNAL AUDITOR

The Company's independent external auditor is CCIF CPA Limited. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group. In particular, the Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest.

COMMUNICATIONS WITH SHAREHOLDERS

The Company uses a number of formal communications channels to account to shareholders for the performance of the Company. These include the annual report and accounts, the interim report, periodic company announcements made through the Stock Exchange, as well as through the annual general meeting. The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules. The Company also welcomes comments and questions from shareholders at its annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules.

Employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2005.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Report of the Auditors" on page 28.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights and procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained.

Poll results will be published in newspapers on the business day following the shareholders' meeting and posted on the websites of the Stock Exchange.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

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 29 to 35 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 judgements 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 2005 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, 25 April 2006

Choi Man On, Andy
Practising Certificate Number P02410

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Note	2005 RMB'000	2004 RMB'000
TURNOVER	8	**1,056,629**	941,577
COST OF SALES		**(1,015,562)**	(842,199)
GROSS PROFIT		**41,067**	99,378
Other revenue	8	**4,162**	288
Other income	9	**14,178**	7,869
Distribution costs		**(9,853)**	(9,954)
Administrative expenses		**(30,558)**	(28,124)
Other operating expenses		**(2,986)**	(3,922)
Profit from operations	10	**16,010**	65,535
Finance costs	11	**(14,372)**	(5,375)
Profit before taxation		**1,638**	60,160
Taxation	12	**(878)**	(5,019)
Profit for the year		**760**	55,141
Attributable to:			
Equity holders of the Company	13	**308**	41,229
Minority interests		**452**	13,912
		760	55,141
DIVIDENDS	14	**4,000**	12,000
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	15	**0.08 cent**	11.7 cents
– Diluted		**N/A**	N/A

The notes on pages 36 to 72 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Note	2005 RMB'000	2004 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**195,160**	77,975
Leasehold land and land use rights for own use under operating lease	19	**8,860**	9,082
Available-for-sale financial assets	20	**720**	720
Intangible assets	21	**12,708**	–
Deferred tax assets	23	**27**	268
		217,475	88,045
Current assets			
Inventories	24	**212,867**	113,378
Trade receivables	25	**299,529**	226,075
Prepayments, deposits and other receivables	26	**16,340**	10,920
Amount due from a related company	27	**2,733**	–
Taxation recoverable		**1,596**	–
Time deposits	28	**95,747**	–
Cash and cash equivalents	29	**27,136**	103,481
		655,948	453,854
LIABILITIES			
Current liabilities			
Trade payables	30	**135,171**	17,880
Other payables and accruals		**29,648**	11,843
Taxation payable		**–**	468
Borrowings	31	**379,025**	230,807
		543,844	260,998
Net current assets		**112,104**	192,856
Total assets less current liabilities		**329,579**	280,901
Non-current liabilities			
Borrowings	31	**48,486**	–
NET ASSETS		**281,093**	280,901

CONSOLIDATED BALANCE SHEET *(continued)*

At 31 December 2005

	Note	2005 RMB'000	2004 RMB'000
EQUITY			
CAPITAL AND RESERVES			
Issued capital	*32*	**42,480**	42,480
Reserves	*34*	**168,744**	174,666
Proposed final dividend	*34*	**4,000**	12,000
Attributable to equity holders of the Company		**215,224**	229,146
Minority interests		**65,869**	51,755
TOTAL EQUITY		**281,093**	280,901

Approved and authorised for issue by the board of directors on 25 April 2006

On behalf of the board

Lai Yueh-hsing
Director

Chiang Jen-chin
Director

The notes on pages 36 to 72 form an integral part of these financial statements.

BALANCE SHEET

At 31 December 2005

	Note	2005 RMB'000	2004 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**159**	259
Investments in subsidiaries	22	**141,211**	141,211
		141,370	141,470
Current assets			
Amounts due from subsidiaries	22	**64,015**	–
Other receivables		**138**	229
Time deposits	28	**4,056**	–
Cash and cash equivalents	29	**2,529**	52,876
		70,738	53,105
LIABILITIES			
Current liabilities			
Other payables		**563**	3,683
Borrowings	31	**40,198**	–
		40,761	3,683
Net current assets		**29,977**	49,422
NET ASSETS		**171,347**	190,892
EQUITY			
CAPITAL AND RESERVES			
Issued capital	32	**42,480**	42,480
Reserves	34	**128,867**	148,412
TOTAL EQUITY		**171,347**	190,892

Approved and authorised for issue by the board of directors on 25 April 2006

On behalf of the board

Lai Yueh-hsing
Director

Chiang Jen-chin
Director

The notes on pages 36 to 72 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Retained profits	Proposed final dividend	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2004	–	–	83,570	10,176	1,866	202	45,397	–	40,710	181,921
Capitalisation issue of shares	31,860	(31,860)	–	–	–	–	–	–	–	–
New issue on public listing	10,620	47,790	–	–	–	–	–	–	–	58,410
Share issue expenses	–	(11,854)	–	–	–	–	–	–	–	(11,854)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	150	–	–	–	150
Appropriations	–	–	–	6,169	3,084	–	(9,253)	–	–	–
Profit for the year	–	–	–	–	–	–	41,229	–	11,045	52,274
Proposed final dividend	–	–	(12,000)	–	–	–	–	12,000	–	–
At 31 December 2004, as previously reported	42,480	4,076	71,570	16,345	4,950	352	77,373	12,000	51,755	280,901
Opening adjustments – changes in fair value of derivative financial instruments	–	–	–	–	–	–	(1,178)	–	(342)	(1,520)
At 1 January 2005, as restated	42,480	4,076	71,570	16,345	4,950	352	76,195	12,000	51,413	279,381
Acquisitions of a subsidiary	–	–	–	–	–	–	–	–	25,468	25,468
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(1,070)	–	–	–	(1,070)
Appropriations	–	–	–	300	–	–	(282)	–	–	18
Profit for the year	–	–	–	–	–	–	308	–	452	760
Dividend paid – 2004	–	–	–	–	–	–	–	–	(11,464)	(11,464)
Dividend paid	–	–	–	–	–	–	–	(12,000)	–	(12,000)
Proposed final dividend	–	–	(4,000)	–	–	–	–	4,000	–	–
At 31 December 2005	**42,480**	**4,076**	**67,570**	**16,645**	**4,950**	**(718)**	**76,221**	**4,000**	**65,869**	**281,093**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2005

(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 Limited pursuant to the reorganisation scheme dated 12 December 2004.

(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, based on its statutory auditors' accounts, each year 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 in previous years, 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 auditors' 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. With effective from 1 January 2006, the appropriation is not a statutory requirement in accordance with the PRC Company Law (2005 Amendment). The appropriation is subject to the shareholders' approval in the annual shareholders meeting of Guangzhou Mayer. Guangzhou Mayer has early adopted the amended Company Law and thus no appropriation has been made during the year.

The notes on pages 36 to 72 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	Note	2005 RMB'000	2004 RMB'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	35(a)	**(142,085)**	5,421
INVESTING			
Proceeds on disposal of property, plant and equipment		**70**	3,638
Purchase of property, plant and equipment		**(37,150)**	(22,538)
Interest received		**964**	288
Acquisition of a subsidiary	35(b)	**(20,055)**	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(56,171)**	(18,612)
NET CASH OUTFLOW BEFORE FINANCING		**(198,256)**	(13,191)
FINANCING			
New borrowings raised		**957,388**	772,028
New issue on public listing, net of share issue expenses		**–**	46,556
Repayment of borrowings		**(796,983)**	(728,704)
Dividend paid		**(12,000)**	–
Dividend/repayment to minority shareholders of a subsidiary		**(11,464)**	(2,867)
Interest paid		**(14,372)**	(5,375)
NET CASH INFLOW FROM FINANCING		**122,569**	81,638
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(75,687)**	68,447
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(658)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**103,481**	35,034
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**27,136**	103,481

The notes on pages 36 to 72 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

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' principal activities consisted of the manufacturing and trading of steel pipes, steel sheets and other products made of steel and the aluminum forged and forged-spun wheels and other spare parts for automobiles.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 37, HKAS Int 15 and HKFRS 2 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures of the financial statements;

– HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 33, 37, HKAS Int 15 and HKFRS 2 had no material effect on the Group's policies;

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard; and

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(a) HKAS 17 Leases

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from intangible assets to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease. In prior years, land use rights are carried at cost less accumulated depreciation and accumulated impairment.

(b) HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement

HKAS 32 and HKAS 39 establish principles for disclosure, presentation, recognition and measurement of financial instruments, including non-derivative financial assets, non-derivative financial liabilities and derivative instruments for hedging activities.

On the adoption of HKAS 39, the Group classified its financial instruments into the following categories: loans and receivables, held-to maturity, available-for-sale and fair value through profit and loss and measured its financial assets at either fair value or at amortised cost according to the classification. It also requires the recognition of derivative financial instruments at fair value and changes in the recognition and measurement of hedging activities.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 January 2005 and the comparative figures have not been restated. HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied prospectively.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 3 Business Combinations, HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets

The adoption has resulted in a change in accounting policy for goodwill. Under HKFRS 3, goodwill is no longer amortised. Instead, it is tested for impairment annually, or more frequently, if events or changes in circumstances indicate a possible impairment. Any excess of fair value of assets and liabilities acquired over cost is recognised immediately as income under HKFRS 3. However, HKFRS 3 requires, if an entity previously recognised goodwill as a deduction from equity, it shall not recognised that goodwill in profit and loss account when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. There is no transitional arrangement for goodwill which has previously been eliminated against reserves as a matter of accounting policy.

(d) New standards or interpretations that have been issued but are not yet effective

At the date of authorisation of the financial statements, the Group has not early adopted the following new standards and interpretations which have been issued but not yet effective. The Directors anticipate that the adoption of these standards or interpretations or amendments will have no material impact on the financial statements of the Company and the Group and will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK (IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[2]
HK (IFRIC)-Int 5	Rights to interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK (IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK (IFRIC)-Int 7	Applying the Restatement Approach Under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 January 2006

[3] Effective for annual periods beginning on or after 1 December 2005

[4] Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The adoption of HKASs 32 and 39 has resulted in an adjustment to the opening balance of retained profits of RMB1,520,000 as at 1 January 2005 as shown in "Consolidated Statement of Changes in Equity" and net profit for the year ended 31 December 2005 has been decreased by RMB124,000. Comparative amounts have not been restated as HKAS 39 is adopted prospectively as of 1 January 2005.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance. The financial statements are prepared under the historical cost convention as modified by certain properties and financial instruments, which are measured at revalued amounts or fair values. These financial statements also comply with the applicable disclosure provisions of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the principal 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 asset of subsidiaries.

(b) Subsidiaries

A subsidiary is a company in which the Group or Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the balance sheet are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted to the extent of dividends received and receivable.

Intra-group balances, transactions and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On disposal of a cash generating unit, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(d) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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
Freehold land	N/A
Building and factory premises	4% – $6^2/_3$%
Leasehold improvements	20%
Furniture, fixtures and office equipment	$6^2/_3$% – 50%
Plant and machinery	10% – $33^1/_3$%
Motor vehicles	20%
Aircrafts	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 net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement on the date of disposal or retirement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Land use rights

Land use rights are recognised as operating leases and stated at cost less accumulated amortisation of operating lease prepayment over the term of the lease.

(f) Club debentures

Club debentures are classified as available-for-sale financial asset and stated at cost less any identified impairment loss.

(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) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the Group.

(k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances and time deposits represent assets which are not restricted as to use.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on all temporary differences arising from the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities.

(n) Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leases asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective or whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreement, i.e. depreciation methods and useful lives correspond to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Rental receivable and payable under operating leases are credited and charged respectively to the income statement on straight-line basis over the leases. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

(p) Revenue

Revenue comprises the fair value for the sales of goods and services, net of rebates and discounts and after eliminated transactions within the Group. Revenue is recognised as follows:

(i) Sales of goods is recognised when the goods are delivered and title has passed to customer and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Rental income receivable under operating leases is recognised the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(iii) Consultancy fee and commission income are recognised when the services are rendered.

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

(q) 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 using the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Exchange differences arising an 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") and Taiwan are members of the state-sponsored retirement scheme operated by the government of the PRC and Taiwan.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 expenditure expected to settle the obligation.

Where it is not 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.

(t) 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 intend use or sale are capitalised as part of the cost of that asset.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Financial assets

From 1 January 2004 to 31 December 2004:

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

From 1 January 2005 onwards:

The Group classified its financial assets as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods.

For available-for-sale equity investments that do not have a quotes market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

(v) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segment. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets and property, plant and equipment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical accounting judgements that can significantly affect the amounts recognised in the financial statements are set out below.

(a) Fair values of financial instruments

Financial instruments such as interest rate, foreign exchange and equity derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results. All significant financial valuation models are strictly controlled and regularly recalibrated and vetted.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimse potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and new Taiwan dollars.

As the estimated foreign currency exposure in respect of committed future sales and purchases and estimated foreign currency exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign currency risk has been carried out during the year under review.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(b) Credit risk

The Group's credit risks are primarily attributable to time deposits, trade and other receivables.

The Group's time deposits are deposited with banks of high credit quality in Hong Kong and the Group has exposure limit to any single financial institution.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount.

In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The Group does not expect any changes in interest rate which might materially affect the Group's result of operations.

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The Group comprises the following main business segments:

(i) Steel – the manufacture and trade of steel pipes, steel sheets and other products made of steel.

(ii) Aluminium – the design, develop, manufacture and trade of aluminium forged and forged-spun wheels and other spare parts for automobiles.

7. SEGMENT INFORMATION *(continued)*

(a) Business segments *(Continued)*

	Steel		Aluminium		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue						
– External sales	**1,048,532**	941,577	**8,097**	–	**1,056,629**	941,577
– Inter-segment sales	**–**	–	**–**	–	**–**	–
	1,048,532	941,577	**8,097**	–	**1,056,629**	941,577
Segment results	**22,227**	72,279	**(1,586)**	–	**20,641**	72,279
Unallocated operating income and expenses					**(4,631)**	(6,744)
Profit from operations					**16,010**	65,535
Finance costs					**(14,372)**	(5,375)
Taxation					**(878)**	(5,019)
Profit for the year					**760**	55,141
Segment assets	**676,955**	541,899	**169,747**	–	**846,702**	541,899
Unallocated assets					**26,721**	–
Total assets					**873,423**	541,899
Segment liabilities	**450,969**	260,998	**140,785**	–	**591,754**	260,998
Unallocated liabilities					**576**	–
Total liabilities					**592,330**	260,998
Capital expenditure	**20,119**	22,538	**1,420**	–	**21,539**	22,538
Unallocated amounts					**15,611**	–
					37,150	22,538
Depreciation and amortisation	**10,457**	8,159	**3,051**	–	**13,508**	8,159
Unallocated amounts					**785**	–
					14,293	8,159

7. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The Group's revenue for the year ended 31 December 2005 is substantially made to customers based in the PRC, no separate analysis of sales by geographical locations is presented accordingly.

The following is an analysis of the carrying amount of segment assets and capital expenditure of the Group analysed by the geographical areas in which the assets are located.

	Segment assets		Capital expenditure	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**6,882**	53,365	**–**	300
Mainland China	**676,955**	487,543	**20,119**	22,238
Taiwan	**187,122**	–	**17,031**	–
Unallocated amounts	**2,464**	991	**–**	–
	873,423	541,899	**37,150**	22,538

8. 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:

	2005	2004
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**1,056,629**	941,577
Other revenue		
Interest income	**964**	288
Rental income	**2,840**	–
Consultancy fee	**358**	–
	4,162	288
	1,060,791	941,865

9. OTHER INCOME

	2005 *RMB'000*	2004 *RMB'000*
Scrap sales	**5,916**	6,366
Exchange gains, net	**3,019**	1,388
Fair value gain on foreign currency contracts	**1,396**	–
Reversal of previous impairment loss recognised on trade receivables	**3,229**	–
Sundry income	**618**	115
	14,178	7,869

10. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2005 *RMB'000*	2004 *RMB'000*
Auditors' remuneration	**364**	373
Cost of inventories recognised as expenses	**993,240**	827,767
Depreciation	**14,071**	7,937
Amortisation of operating lease prepayment	**222**	222
Loss on disposal of property, plant and equipment, net	**120**	142
Operating leases in respect of		
– rented premises	**698**	239
– motor vehicles	**845**	660
Impairment loss on trade receivables	**–**	200
Contribution to defined contribution retirement schemes	**1,474**	1,397
Staff costs (including directors' remuneration)	**17,166**	17,731

11. FINANCE COSTS

	2005 *RMB'000*	2004 *RMB'000*
Interest on bank and other borrowings wholly repayable		
– within five years	**14,262**	5,375
– after five years	**110**	–
	14,372	5,375

12. TAXATION

The charge comprises:

	2005	2004
	RMB'000	*RMB'000*
Income tax		
Current year	**612**	5,019
Underprovision of prior years	**25**	–
Deferred taxation *(note 23)*	**241**	–
	878	5,019

Pursuant to the tax authorities in the PRC, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") is entitled to a preferential rate on PRC enterprise income tax of 10% for 2005 to 2006 (2004: 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.

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

	2005	2004
	RMB'000	*RMB'000*
Profit before taxation	**1,638**	60,160
Tax at income tax at statutory tax rate	**246**	9,024
Tax effect of tax exemption	**(365)**	(5,017)
Tax effect on non-deductible expenses	**1,320**	588
Tax effect on non-taxable income	**(1,044)**	(25)
Under-provision in respect of prior years	**26**	–
Others	**695**	449
	878	5,019

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The net profit attributable to equity holders of the Company includes a loss of approximately RMB6,675,000 (2004: profit of RMB3,125,000) which has been dealt with in the financial statements of the Company for the year ended 31 December 2005.

14. DIVIDENDS

	2005	2004
	RMB'000	*RMB'000*
Proposed final dividend of 1 cent per share (2004: 3 cents) out of the special reserve of the Company *(Note 34)*	**4,000**	12,000

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of special reserve for the year ended 31 December 2005.

15. EARNINGS PER SHARE

The calculations of the basic earnings per share is based on the net profit from ordinary activities attributable to equity holders for the year of approximately RMB308,000 (2004: RMB41,229,000) and the weighted average of 400,000,000 (2004: 353,150,685) shares in issue during the year.

There were no potential dilutive shares in existence for the year ended 31 December 2005 and 2004, and accordingly, no diluted earnings per share amount has been presented.

16. DIRECTORS' REMUNERATION

The remuneration of every director for the year ended 31 December 2005 is set out below:

Name of directors	**Fees**	**Salary**	**Bonus**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Lai Yueh-hsing	–	187	–	187
Lo Haw	–	661	–	661
Shen Heng-chiang	–	452	–	452
Wu Kuo-lung	–	187	–	187
Chiang Jen-chin	–	219	–	219
Cheng Dar-terng	–	187	–	187
Non-executive Directors				
Hsiao Ming-chih	–	121	–	121
Huang Chun-fa	–	105	–	105
Independent non-executive Directors				
Lin Sheng-bin	31	–	–	31
Huang Jui-hsiang	31	–	–	31
Alvin Chiu	237	–	–	237
	299	2,119	–	2,418

16. DIRECTORS' REMUNERATION *(continued)*

The remuneration of every director for the year ended 31 December 2004 is set out below:

Name of directors	Fees	Salary	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Lai Yueh-hsing	–	132	–	132
Lo Haw	–	437	426	863
Shen Heng-chiang	–	360	958	1,318
Wu Kuo-lung	–	101	–	101
Chiang Jen-chin	–	101	–	101
Cheng Dar-terng	–	101	–	101
Non-executive Directors				
Hsiao Ming-chih	–	56	–	56
Huang Chun-fa	–	56	–	56
Independent non-executive Directors				
Lin Sheng-bin	17	–	–	17
Huang Jui-hsiang	17	–	–	17
Alvin Chiu	128	–	–	128
	162	1,344	1,384	2,890

During the year, no remunerations were paid by the Group to any directors or any five highest paid individuals (note 17) 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.

The remuneration of the directors was within the following bands:

	2005 Number of Directors	2004 Number of Directors
Nil to RMB1,040,000 (HK$1,000,000)	**11**	10
RMB1,040,000 (HK$1,000,000) to RMB2,080,000 (HK$2,000,000)	**–**	1
	11	11

17. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals in the Group included two (2004: two) directors, details of those emolument are set out in note 16 above. The emoluments of the remaining three (2004: three) individuals for the year ended 31 December 2005 were as follows:

	2005	2004
	RMB'000	*RMB'000*
Salaries and other benefits	**821**	884
Bonus	**–**	1,172
	821	2,056

The remuneration of the individuals was within the following band:

	2005 Number of employees	2004 Number of employees
Nil to RMB1,040,000 (HK$1,000,000)	**3**	3

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Freeland land	Building and factory premises	Construction in progress	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Aircrafts	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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
Acquisition of a subsidiary	14,932	10,931	–	14,889	810	83,864	455	–	125,881
Additions	–	–	18,228	102	741	2,044	424	15,611	37,150
Transfers	–	116	(23,061)	2,740	1,492	18,713	–	–	–
Disposals	–	–	–	–	(462)	(444)	–	–	(906)
Exchange adjustments	–	–	–	–	–	–	–	(410)	(410)
At 31 December 2005	**14,932**	**53,298**	**3,027**	**17,911**	**5,904**	**172,410**	**1,846**	**15,201**	**284,529**
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
Acquisition of a subsidiary	–	1,248	–	4,868	470	24,328	259	–	31,173
Provided for the year	–	2,017	–	832	460	9,750	225	787	14,071
Written-back	–	–	–	–	(383)	(333)	–	–	(716)
Exchange adjustments	–	–	–	1	1	–	–	–	2
At 31 December 2005	**–**	**13,628**	**–**	**5,726**	**2,267**	**65,926**	**1,035**	**787**	**89,369**
Net book value									
At 31 December 2005	**14,932**	**39,670**	**3,027**	**12,185**	**3,637**	**106,484**	**811**	**14,414**	**195,160**
At 31 December 2004	–	31,888	7,860	155	1,604	36,052	416	–	77,975

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

The freehold land is situated in Taiwan.

The building and factory premises are situated in the People's Republic of China and Taiwan and are held under medium term lease.

The aircrafts are leased to a related company established under the laws of the Republic of China, in which Mr. Huang Chun-fa has beneficial interest. During the year, rental income and consultancy fee income amounting to RMB2,840,000 and RMB358,000 respectively were received and receivable from this related company.

At 31 December 2005, the Group's property, plant and equipment with carrying value of RMB159,791,000 (2004: RMB60,567,000) were pledged to certain banks for banking facilities granted to the Group (Note 31).

Company

	Leasehold improvements *RMB'000*	Furniture and fixtures *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2004	–	–	–
Additions	180	120	300
At 31 December 2004 and at 31 December 2005	**180**	**120**	**300**
Depreciation			
At 1 January 2004	–	–	–
Provided for the year	25	16	41
At 31 December 2004	25	16	41
Provided for the year	60	40	100
At 31 December 2005	**85**	**56**	**141**
Net book value			
At 31 December 2005	**95**	**64**	**159**
At 31 December 2004	155	104	259

19. LEASEHOLD LAND AND LAND USE RIGHTS FOR OWN USE UNDER OPERATING LEASE

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2005	2004
	RMB'000	*RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**8,860**	9,082

Bank borrowings are secured on leasehold land for the carrying amount of RMB8,860,000 (2004: RMB9,082,000) (Note 31).

The movements of the leasehold land and land use rights for own use under operating lease are as follows:

	2005	2004
	RMB'000	*RMB'000*
Opening	**9,082**	9,304
Amortistation of prepaid operating lease payment	**(222)**	(222)
Closing	**8,860**	9,082

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2005	2004
	Available-for-sale financial assets	Club debentures
	RMB'000	*RMB'000*
Club debentures		
Unquoted, at cost	**1,294**	1,294
Less: Impairment loss recognised	**(574)**	(574)
	720	720

The carrying amount of the club debentures approximates to the fair value.

21. INTANGIBLE ASSETS

	2005	2004
	RMB'000	*RMB'000*
Goodwill attributable to acquisition of a subsidiary *(note 35(b))*	**12,708**	–

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

The goodwill is related to the business segment of aluminium wheels and car spare parts which is located in Taiwan.

The recoverable amount of CGU as at 31 December 2005 is valued by an independent professional valuer, RHL Appraisal Limited, on 24 April 2006 based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering on 3 year period. Cash flows beyond the 3 year period are extrapolated using the estimate rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which CGU operates.

Key assumptions used for value-in-use calculations:

	2005	2004
– Gross margin	**12%**	–
– Growth rate	**18.4%**	–
– Discount rate	**6.1%**	–

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate are consistent with forecasts included in industry report. The discount rate used are per-tax and reflect specific risks relating to the relevant segments.

No impairment loss has been recognised on the goodwill in respect of the business segments of aluminium wheels and car spare parts as the estimated recoverable amount of this CGU as at 31 December 2005 exceeds its carrying value.

22. INTERESTS IN SUBSIDIARIES

	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	**141,211**	141,211
Amounts due from subsidiaries	**64,015**	–
	205,226	141,211

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Details of the Company's subsidiaries as at 31 December 2005 are as follows:

Company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of interest held Direct	Indirect	Principal activities
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
ROC Advance Ltd.	BVI	USD1	100%	–	Leasing of aircrafts and provision of consultancy service
Sunbeam Group Ltd.	BVI	USD1	100%	–	Investment holding
Fullchamp Technologies Co. Ltd. *	The Republic of China	NTD319,485,000	–	51.83%	Design, development, manufacture and trading of aluminum forged and forged-spun wheels and other spare parts for automobiles
Teson Corporation *	USA	USD200,000	–	51.83%	Dormant
Fullchamp Technologies Co. Ltd. *	Samoa	USD200,000	–	51.83%	Dormant
Vansen International Ltd. #	BVI	USD1	100%	–	Dormant

* Not audited by CCIF CPA Limited
# Incorporated on 8 March 2006

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

23. DEFERRED TAX ASSETS

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

	2005	2004
	RMB'000	*RMB'000*
At beginning of the year	**268**	268
Charge for the year *(note 12)*	**(241)**	–
At end of the year	**27**	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 2004	–	43	225	268
(Charge)/credit for the year	–	(11)	11	–
At 31 December 2004	–	32	236	268
Charge for the year	–	(5)	(236)	(241)
At 31 December 2005	**–**	**27**	**–**	**27**

24. INVENTORIES

	2005	2004
	RMB'000	*RMB'000*
At cost:		
Raw materials	**163,937**	84,604
Finished goods	**48,930**	28,774
	212,867	113,378

25. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period of 30-100 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:

	2005	2004
	RMB'000	*RMB'000*
1 – 30 days	**70,501**	97,072
31 – 60 days	**70,294**	75,993
61 – 90 days	**58,240**	37,514
91 – 180 days	**92,283**	17,898
Over 180 days	**19,637**	746
	310,955	229,223
Provision for impairment of receivables	**(11,426)**	(3,148)
	299,529	226,075

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance is an amount of RMB4,000,000 (2004: Nil) which represents the loan receivable from a third party with an annual interest bearing at 9.108%. The directors consider that the balance of prepayments, deposits and other receivables approximate their fair value.

27. AMOUNT DUE FROM A RELATED COMPANY

The amount due from a related company, in which Mr. Huang Chun-fa has beneficial interest, is unsecured, interest-free and will be repayable within the next twelve months from the balance sheet date. The maximum amount outstanding during the year amounted to RMB2,733,000 (2004: Nil).

No provision for the amount due has been made in the financial statements. The directors are of the opinion that the carrying value of the amount due approximate to the fair value.

28. TIME DEPOSITS

Included in the balance are deposits of RMB8,194,000 (2004: Nil) pledged to banks to secure banking facilities granted to the Group. These pledged deposits carry fixed interest rate of ranging from 1% to 3.8% per annum and will be released upon the settlement of relevant bank borrowings. The other remaining time deposits of RMB 87,553,000 (2004: Nil) carry fixed interest rate ranging from 2.07% to 2.25% per annum and with maturities ranging from 5 to 12 months. The directors consider that the fair value of bank deposits at 31 December 2005 approximates to the corresponding carrying amount.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**26,276**	50,948	**1,669**	343
Short-term bank deposits	**860**	52,533	**860**	52,533
	27,136	103,481	**2,529**	52,876

The effective interest rate of short-term bank deposits is 3.86% (2004: 1.2% to 1.89%) per annum. They have a maturity of 6 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group are RMB19,281,000 and NTD15,643,000 (2004: RMB49,614,000) of bank balances denominated in Renminbi ("RMB") and new Taiwan dollars ("NTD") placed with banks in the PRC and Taiwan respectively. RMB and NTD are not freely convertible currencies.

30. TRADE PAYABLES

An ageing analysis of the trade payables is as follows:

	2005	2004
	RMB'000	*RMB'000*
1 – 30 days	**35,555**	15,776
31 – 60 days	**26,135**	1,000
61 – 90 days	**23,267**	1,076
91 – 180 days	**33,361**	21
Over 180 days	**16,853**	7
	135,171	17,880

31. BORROWINGS

At 31 December 2005, the borrowings were repayable as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**365,511**	230,807	**40,198**	–
After 1 year but within 2 years	**32,302**	–	**–**	–
After 2 years but within 5 years	**11,100**	–	**–**	–
After 5 years	**18,598**	–	**–**	–
	427,511	230,807	**40,198**	–
Current portion	**(379,025)**	(230,807)	**(40,198)**	–
Non-current portion	**48,486**	–	**–**	–

At 31 December 2005, the borrowings were secured as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
– Corporate guarantees by Group companies	**153,320**	104,319	**40,198**	–
– Secured by plant and machinery with carrying value of RMB82,667,000 (2004: RMB36,052,000)	**23,233**	36,254	**–**	–
– Secured by freehold land and land use rights with carrying value of RMB23,792,000, buildings with carrying value of RMB39,415,000 and bank deposits of RMB8,194,000 (2004: RMB33,597,000)	**72,635**	28,171	**–**	–
	249,188	168,744	**40,198**	–
– Unsecured	**151,316**	62,063	**–**	–
Other loans				
– Secured by plant and machinery with carrying value of RMB22,777,000 (2004: Nil)	**27,007**	–	**–**	–
	427,511	230,807	**40,198**	–

32. ISSUED CAPITAL

	Number of authorised shares	Number of shares issued	Nominal value of shares issued *RMB'000*
At 1 January 2004	1,000,000	1	–
Shares issued as consideration for the acquisition of the entire issued share capital of Bamian Investments Pte Ltd.	–	1	–
Increased in authorised share capital	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	–	299,999,998	31,860
New Issue on public listing	–	100,000,000	10,620
At 31 December 2004 and at 31 December 2005	**1,000,000,000**	**400,000,000**	**42,480**

33. SHARE OPTION SCHEME

The Share Option Scheme was adopted on 24 May 2005 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 2005, 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.

34. RESERVES

Company

	Special reserve RMB'000	Share premium RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 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 and 1 January 2005	129,211	4,076	–	3,125	12,000	148,412
Exchange differences	–	–	(870)	–	–	(870)
Loss for the year	–	–	–	(6,675)	–	(6,675)
Dividend paid	–	–	–	–	(12,000)	(12,000)
Proposed final dividend	(4,000)	–	–	–	4,000	–
At 31 December 2005	**125,211**	**4,076**	**(870)**	**(3,550)**	**4,000**	**128,867**

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 2004.

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 17.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	2005	2004
	RMB'000	*RMB'000*
Profit before taxation	**1,638**	60,160
Adjustments for:		
Interest income	**(964)**	(288)
Interest expenses	**14,372**	5,375
Depreciation	**14,071**	7,937
Amortisation of operating lease prepayment	**222**	222
Reversal of impairment loss on trade receivables	**(3,229)**	–
Fair value gain on foreign currency contracts	**(1,396)**	–
Loss on disposal of property, plant and equipment, net	**120**	142
Exchange adjustment	**–**	150
Operating profit before working capital changes	**24,834**	73,698
Increase in inventories	**(74,999)**	(36,345)
Increase in amount due from a related company	**(2,733)**	–
Increase in trade receivables, prepayments, deposits and other receivables	**(45,181)**	(46,430)
Increase in time deposits	**(95,747)**	–
Increase in trade payables, other payables and accruals	**54,442**	19,463
Decrease in amount due to ultimate holding company	**–**	(34)
Cash (outflow)/inflow from operating activities	**(139,384)**	10,352
Income tax paid	**(2,701)**	(4,931)
Net cash (outflow)/inflow from operating activities	**(142,085)**	5,421

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Acquisition of a subsidiary

On 1 November 2005, the Group acquired 51.83% of the share capital of Fullchamp Technologies Co., Limited ("Fullchamp"), a company established under the laws of the Republic of China. Fullchamp is principally engaged in the design, development and manufacture of aluminum forged and forged-spun wheels for automobiles and trading of the products mainly in China, United States of America, Japan, Taiwan, Europe and Australia.

Details of net assets acquired and goodwill are as follows:

	2005
	RMB'000
Purchase consideration	
– Cash paid	**40,112**
Fair value of net assets acquired – shown as below	**27,404**
Goodwill	**12,708**

The tangible assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	**20,057**
Property, plant and equipment	**94,708**
Inventories	**24,490**
Receivables	**30,464**
Payables	**(80,548)**
Borrowings	**(36,299)**
Net assets	**52,872**
Minority interests (48.17%)	**(25,468)**
Net tangible assets attributable to 51.83% acquired	**27,404**
Purchase consideration settled in cash	**40,112**
Cash and cash equivalents in subsidiary acquired	**(20,057)**
Cash outflow on acquisition	**20,055**

There was no similar acquisition for the last year ended 31 December 2004.

36. 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:

	2005	2004
	RMB'000	*RMB'000*
Motor vehicles		
Within one year	**436**	133
Rented premises		
Within one year	**1,193**	397
In the second to fifth years inclusive	**727**	553
	1,920	950

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

37. FUTURE OPERATING LEASE ARRANGEMENT

At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating lease in respect of aircrafts as follows:

	2005	2004
	RMB'000	*RMB'000*
Within one year	**6,004**	–
In the second to fifth years inclusive	**8,005**	–
	14,009	–

Lease is negotiated for term of three years with a fixed monthly rental over the term of the lease.

38. COMMITMENTS

	2005	2004
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**4,054**	10,649

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

39. PLEDGE OF ASSETS

At 31 December 2005, the Group pledged the land use rights with a carrying value of RMB8,860,000 (2004: RMB9,082,000) and property, plant and equipment with a carrying value of RMB159,791,000 (2004: RMB60,567,000) to banks to secure banking facilities to the extent of RMB122,875,000 (2004: RMB54,738,000) granted to the Group.

40. CONTINGENT LIABILITIES

At 31 December 2005, the Company has given corporate guarantees in favour certain banks to secure banking facilities of RMB145,263,000 (2004: RMB173,808,000) granted to Guangzhou Mayer, a subsidiary. Out of these banking facilities, RMB96,983,000 was utilised by Guangzhou Mayer as at 31 December 2005 (2004: RMB104,320,000).

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

41. EMPLOYEE RETIREMENT BENEFITS

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

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 contributions 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 2005, 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.

42. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following connected and related party transactions which were conducted in the ordinary course of the Group's business:

(i) On 28 September 2005, Guangzhou Mayer Corp., Limited ("Guangzhou Mayer"), a 77.52% subsidiary of the Group, had given a corporate guarantee in favour certain banks established under the laws of the PRC for revolving bank facilities up to a maximum amount of RMB60 million granted to Shanghai Fervent Alloy Wheel Manufacturing Co., Limited ("Shanghai Fervent"), a fellow subsidiary of the Company. Guangzhou Mayer will receive a back-to-back guarantee from Mayer Steel Pipe Corporation ("Taiwan Mayer") in respect of the granting of the Guarantees as a result of the default of Shanghai Fervent, Guangzhou Mayer shall have the right to be fully indemnified by Taiwan Mayer. In respect of the benefits of the Group, Guangzhou Mayer will receive an annual guarantee fee in cash amounting to 0.75% of the amount of the loan facilities which is payable after every six months as agreed between Shanghai Fervent and Guangzhou Mayer. The guarantee fee is arrived at after arm's length negotiations and on commercial basis.

42. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(ii) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name	Relationship	Nature of transaction	2005	2004
			RMB'000	*RMB'000*
Lo Haw and his spouse	Director of the company	Rental paid *(Note a)*	**120**	120
Daily Air Corporation	Under common director	Rental income *(Note b)*	**2,840**	–
		Consultancy fee income *(Note b)*	**358**	–

Note:

(a) The rental, which was paid for a property owned by Mr. Lo Haw, a director of the Company, and his spouse was determined with reference to the prevailing market rental.

(b) ROC Advance Limited ("ROC"), a wholly-owned subsidiary of the Group, entered into an aircraft lease agreement with Daily Air Corporation, a related company in which Mr. Huang Chun-fa has beneficial interest, pursuant to which, ROC leases two aircrafts at a monthly rental of US$26,000 for each aircraft and provide consultancy services at a monthly fee of US$10,000 to Daily Air Corporation for a term of three years commencing from 1 May 2005 to 30 April 2008. The transactions were conducted at terms mutually agreed. The rental and consultancy fee income received and receivable amounted to RMB2,840,000 (2004: Nil) and RMB358,000 (2004: Nil) for the year ended 31 December 2005. At the balance sheet date, RMB2,733,000 is due from this related company which is interest free, unsecured and repayable on demand. No provision for the amount due was made for the year (Note 27).

43. POST BALANCE SHEET EVENTS

The Group and the Company had no material post balance sheet events at the balance sheet date.

44. ULTIMATE HOLDING COMPANY

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

45. COMPARATIVE FIGURES

Certain comparative figures have been re-classified as a result of the changes in accounting policies as disclosed in notes 2 and 3.