



美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

INTERIM RESULT 2005

The board of directors of Mayer Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2005 (the “Period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
TURNOVER	2, 3	546,105	426,052
COST OF SALES		(507,791)	(366,637)
GROSS PROFIT		38,314	59,415
Other revenue		3,399	3,238
Selling and distribution costs		(4,829)	(4,408)
Administrative expenses		(15,632)	(8,295)
Other operating expenses		(565)	(242)
PROFIT FROM OPERATING ACTIVITIES	4	20,687	49,708
Finance costs	5	(5,076)	(2,084)
PROFIT BEFORE TAXATION		15,611	47,624
Taxation	6	(1,903)	(3,603)
PROFIT BEFORE MINORITY INTERESTS		13,708	44,021
Minority interests		(3,738)	(9,989)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		9,970	34,032
EARNINGS PER SHARE	7		
– basic (RMB)		2.5 cents	11.1 cents
– diluted (RMB)		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

		30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	106,117	77,975
Interest in leasehold land held for own use under an operating lease		8,971	9,082
Club debentures		720	720
Deferred tax assets		268	268
		<hr/> 116,076	<hr/> 88,045
CURRENT ASSETS			
Inventories		218,283	113,378
Trade receivables	10	285,521	226,075
Prepayments, deposits and other receivable		8,159	10,920
Cash and bank balances		76,616	103,481
		<hr/> 588,579	<hr/> 453,854
CURRENT LIABILITIES			
Trade payables	11	116,937	17,880
Other payable and accruals		12,992	11,843
Fair value derivatives		2,018	–
Taxation payable		360	468
Borrowings	12	291,365	230,807
		<hr/> 423,672	<hr/> 260,998
NET CURRENT ASSETS			
		<hr/> 164,907	<hr/> 192,856
NET ASSETS			
		<hr/> 280,983	<hr/> 280,901
CAPITAL AND RESERVES			
Issued capital		42,480	42,480
Reserves		183,352	174,666
Proposed final dividend		–	12,000
		<hr/> 225,832	<hr/> 229,146
MINORITY INTERESTS			
		<hr/> 55,151	<hr/> 51,755
TOTAL EQUITY			
		<hr/> 280,983	<hr/> 280,901

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The basis of preparation and accounting policies adopted in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the Company’s 2004 Annual Report, except that the Group has changed certain of its accounting policies following its adoption of new/revised HKFRSs and HKASs which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect on adoption of these new policies are set out in note 1(b) below.

The unaudited condensed consolidated interim financial statements are presented in Renminbi (“RMB”), the currency in which majority of the Group’s transactions are denominated.

(b) Changes in accounting polices

In 2005, the Group adopted the applicable new/revised HKFRSs below. Accordingly, the 2004 comparatives had been restated in accordance with the relevant requirements except for HKAS 39 which is adopted prospectively as of 1 January 2005.

HKAS1	Presentation of Financial Statements
HKAS2	Inventories
HKAS7	Cash Flow Statements
HKAS8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS10	Events after the Balance Sheet Date
HKAS12	Income Taxes
HKAS14	Segment Reporting
HKAS16	Property, Plant and Equipment
HKAS17	Leases
HKAS18	Revenue
HKAS19	Employee Benefits
HKAS21	The Effects of Changes in Foreign Exchange Rates
HKAS23	Borrowing Costs
HKAS24	Related Party Disclosures
HKAS27	Consolidated and Separate Financial Statements
HKAS32	Financial Instruments: Disclosure and Presentation
HKAS33	Earnings Per Share
HKAS34	Interim Financial Reporting
HKAS36	Impairment of Assets
HKAS37	Provisions, Contingent Liabilities and Contingent Assets
HKAS38	Intangible assets
HKAS39	Financial Instruments: Recognition and Measurement

The adoption of the above new HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 34, 36, 37 and 38 did not result in substantial changes to the Group's accounting policy. In summary:

HKAS 1 affects certain presentation and disclosure of the accounts;

HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 34, 36, 37 and 38 had no material effect on the company's policies; and

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments. Prior to 1 January 2005, derivatives of the Group was not recorded on the balance sheet based on the then prevailing accounting standards. In accordance with the provisions of HKAS 39, all derivatives financial instruments have been recognized at their fair value on the balance sheet on 1 January 2005.

This change was adopted by way of an adjustment to the opening balance of retained profits of RMB1,520,000 as at 1 January 2005 and net profit for the six months ended 30 June 2005 has been decreased by RMB498,000. Comparatives amounts have not been restated as HKAS 39 is adopted prospectively as of 1 January 2005.

2. TURNOVER

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

3. SEGMENT INFORMATION

According to HKAS 14 segment information is presented by way of segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

As over 90% of the Group's turnover and contributions to operating profit are attributable to the manufacturing and trading of steel pipes, steel sheets and other products made of steel, no separate analysis of business segment is presented accordingly.

(b) Geographical segments

The Group's turnover for the six months ended 30 June 2005 are substantially made to customers based in the People's Republic of China ("PRC") and the operations, assets and liabilities of the Group are substantially located in the PRC, no separate analysis for the geographical segment information is presented accordingly.

4. PROFIT FROM OPERATING ACTIVITIES

The profit from operating activities of the Group is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation and amortisation	4,737	4,270
Cost of inventories recognised as expenses	506,116	363,723
Operating leases rental in respect of		
– rented premises	60	84
– motor vehicles	67	400
Contribution to defined contribution retirement schemes	956	414
Other staff costs	3,380	4,700
	<u>515,636</u>	<u>373,511</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within one year	5,076	2,084
	<u>5,076</u>	<u>2,084</u>

6. TAXATION

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC enterprise income tax	1,903	3,593
Deferred taxation	–	10
	<u>1,903</u>	<u>3,603</u>

Pursuant to the relevant laws and regulations in the PRC, Guangzhou Mayer Corp., Ltd. (“Guangzhou Mayer”), a subsidiary of the Company is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation in 2000 and thereafter, it will be entitled to a 50% relief from PRC enterprise income tax for the following three years and the reduced tax rate is 7.5%. The foregoing tax concession has expired. Pursuant to a further tax concession granted in the current period, the applicable income tax rate is 10%. The charge of PRC enterprise income tax for the Period and for the six months ended 30 June 2004 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.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately RMB9,970,000 (2004: RMB34,032,000) and the weighted average of 400,000,000 (2004: 305,494,505) ordinary shares in issue during the Period.

There were no potential dilutive ordinary shares in existence for the Period and the six months ended 30 June 2004, and accordingly, no diluted earnings per share amount have been presented.

8. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2005.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately RMB33,027,000.

10. TRADE RECEIVABLES

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

An aging analysis of the trade receivables is as follows:

	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
1 – 30 days	104,799	96,092
31 – 60 days	81,966	75,258
61 – 90 days	61,523	37,143
91 – 180 days	36,094	17,005
Over 180 days	1,139	577
	<u>285,521</u>	<u>226,075</u>

11. TRADE PAYABLES

An aging analysis of the trade payables is as follows:

	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
1 – 30 days	83,160	15,776
31 – 60 days	11,466	1,000
61 – 90 days	21,883	1,076
91 – 180 days	428	21
Over 180 days	–	7
	<u>116,937</u>	<u>17,880</u>

12. BORROWINGS

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

	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
Bank loans, secured	38,113	168,744
Bank loans, unsecured	253,252	62,063
	<u>291,365</u>	<u>230,807</u>

At the balance sheet dates, the bank loans are secured by the following assets with net book values of:

	30 June 2005 (Unaudited) RMB'000	31 December 2004 (Audited) RMB'000
Interest in leasehold land held for own use under an operating lease	8,971	9,082
Buildings, plant and machinery	40,065	60,567
	<u>49,036</u>	<u>69,649</u>

13. SUBSEQUENT EVENTS

On 12 August 2005 an ordinary resolution was passed that Guangzhou Mayer will provide a corporate guarantee (the "Guarantee") of maximum amount of RMB60,000,000 in favour of certain banks of Shanghai Ferrent 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 Mayer Steel Pipe Corporation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The unaudited turnover of the Group for the Period was approximately RMB546,105,000, representing an increase of approximately 28.2% compared with approximately RMB426,052,000 for the corresponding period last year while the net profit was approximately RMB9,970,000, representing a decrease of approximately 70.7% compared with approximately RMB34,032,000 for the corresponding period last year.

Business Review

The steady growth in operating results is primarily due to the Group is still in the stage of development and its market share is increasing. Sales volume increased 6.1% from 66,150 tonnes for the corresponding period last year to 70,160 tonnes. At the same time, although the selling price of the Group's products increased by approximately 21.9% compared with that for the corresponding period last year, the gross profit decreased and was mainly because of relatively lower growth rate of the selling prices of our products as compared to that of the purchasing costs of raw materials and fuels during the Period.

Production and Sales

The revenue from domestic sales of products in the PRC during the Period was approximately RMB78,029,000, representing an increase of approximately 19.7% compared with approximately RMB65,180,000 last year. Meanwhile, the Group is still developing the domestic market in the PRC.

The revenue from indirect export sales of products in the PRC during the Period was approximately RMB466,024,000, representing an increase of approximately 30.3% compared with approximately RMB357,640,000 for the corresponding period last year. The market for indirect export sales in the PRC continued to be the core market for the Group.

The revenue from direct export sales of products outside the PRC during the Period was approximately RMB2,052,000 while it was approximately RMB3,230,000 for the corresponding period 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.

Gross Profit

The Group recorded a gross profit of approximately RMB38,314,000 for the Period, with a gross profit margin of approximately 7.0%, compared with the gross profit of approximately RMB59,415,000 and a gross profit margin of approximately 13.9% for the corresponding period 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 Period were approximately RMB21,026,000, of which approximately RMB4,829,000 in selling and distribution costs, RMB15,632,000 in administrative expenses, RMB565,000 in other operating expenses and RMB5,076,000 in finance costs, accounting for approximately 0.9%, 2.9%, 0.1% and 0.9% of turnover respectively while the amounts for the corresponding period last year were approximately RMB4,408,000, RMB8,295,000, RMB242,000 and RMB2,084,000 respectively, accounting for approximately 1.0%, 1.9%, 0.1% and 0.5% respectively. The increase in the operating expenses was mainly due to the listing of the Company from 21 June 2004, which resulted in the rise of variable expenses. However, these expenses had comparably lower percentages of turnover in the Period.

Financial Resources and Treasury Policies

The Group continues to adhere to prudent treasury policies. The gearing ratio (borrowings divided by shareholders' funds) as of 30 June 2005 was approximately 129.0% (31 December 2004: 100.7%). The total bank borrowings of the Group amounted to approximately RMB291,365,000 (31 December 2004: RMB230,807,000), mainly denominated in US dollars, HK dollars and Renminbi with floating interest rates. The Group's short term loans from banks accounted for approximately 41.3% of the total assets (31 December 2004: 42.6%).

The current ratio (current assets divided by current liabilities) as of 30 June 2005 was approximately 1.39 (31 December 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 RMB37,766,000 was used in operating activities for the Period, mainly resulted from the increase of inventories level of the Group. Despite approximately RMB60,558,000 raised from bank borrowings, the net decrease in cash and cash equivalents amounted to approximately RMB26,865,000, as a result of net cash outflow of approximately RMB33,027,000 used for plant expansion and purchase of machinery and equipment and RMB12,000,000 dividend paid. Bank balances and cash as at 30 June 2005 amounted approximately RMB76,616,000, mainly denominated in US dollars, HK dollars and Renminbi.

Exchange Rate Exposures

As most of the Group's monetary assets and liabilities are denominated in US dollars, HK dollars and Renminbi and those currencies remained relatively stable during the Period, 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 the US dollars.

Pledge of Assets

As at 30 June 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 RMB40,065,000 and RMB8,971,000 respectively were pledged to secure bank borrowings.

Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (31 December 2004: Nil). At 30 June 2005, the Company had provided corporate guarantees of RMB198,888,000 (31 December 2004: RMB173,808,000) in favour of certain banks for banking facilities granted to a subsidiary. Out of which, approximately RMB119,614,000 had been utilised (31 December 2004: RMB104,320,000).

Outlook

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 latter half of 2005, 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.

OTHER INFORMATION

Audit committee

The interim financial report of the Company for the six months ended 30 June 2005 has been reviewed by the Audit Committee comprising of the three independent non-executive directors of the Company. At the request of the directors, the interim financial statements have also been reviewed by our auditors, CCIF CPA Limited, in accordance with Statement of Auditing Standard 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review report has been issued.

Purchase, sale and redemption of the Company's listed securities

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

Interim dividend

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2005.

Model code for securities transactions by directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the accounting period covered by the interim report.

Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June, 2005, except that, regard to the code provisions A.4.2 and B.1.1 in respect of the rotation of directors and establishment of remuneration committee.

Under the code provisions A.4.2 and B.1.1 of the Code, (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) a remuneration committee with specific written terms of reference which deal with its authority and duties should be established.

According to Article 112 of the Articles of Association of the Company, one-third of the Directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board, the Managing Director or joint Managing Director of the Company shall not be subject to retirement by rotation. To comply with the code provision A.4.2 of the Code, the Company intends to propose to amend Article 112 of the Articles of Association of the Company at the forthcoming annual general meeting of Company.

The board of directors of the Company established a remuneration committee in compliance with the Code on 22 August 2005. The primary duties of the remuneration committee include making recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive directors and senior management, and reviewing and approving performance-based remuneration and compensation payable to executive directors and senior management. The remuneration committee consists of Lai Yueh-hsing, an executive director, Hsiao Ming-chih, a non-executive director, and three independent non-executive directors, namely Lin Sheng-bin and Huang Jui-hsiang and Alvin Chiu.

Board Composition

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

By Order of the Board
Lai Yueh-hsing
Chairman

Hong Kong, 22 August 2005

* *For identification purpose only*