



美亞控股有限公司*
MAYER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

RESULT ANNOUNCEMENT 2004

The board of directors of Mayer Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

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

DIVIDENDS	7	<u>12,000</u>	<u>31,500</u>
EARNINGS PER SHARE	8		
– Basic (RMB)		<u>12 cents</u>	<u>10 cents</u>
– Diluted (RMB)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2004

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

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by HKICPA.

2. TURNOVER AND OTHER REVENUE

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

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

	2004 <i>RMB’000</i>	2003 <i>RMB’000</i>
Turnover		
Sale of goods	941,577	654,273
Other revenue		
Interest income	288	201
	<u>941,865</u>	<u>654,474</u>

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

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

5. FINANCE COSTS

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

6. TAXATION

The charge comprises:

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

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

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

7. DIVIDENDS

The directors propose the payment of final dividend of RMB 3 cents per share, totaling RMB12,000,000 in respect of the year ended 31 December 2004. The final dividend will be paid on or before Friday, 13 May 2005 to shareholders of record on Friday, 29 April 2005 subject to the approval of shareholders at the annual general meeting of the Company to be held on 29 April 2005.

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

8. EARNINGS PER SHARE

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

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

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

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

9. TRADE RECEIVABLES

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

An ageing analysis of trade receivables is as follows:

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

10. TRADE PAYABLES

An ageing analysis of the trade payables is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

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

Business Review

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

Production and Sales

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

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

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

Gross Profit

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

Operating Expenses

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

Financial Resources and Treasury Policies

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

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

Cash Flow

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

Exchange Rate Exposures

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

Pledge of Assets

As at 31 December 2004, property, plant and equipment and land use rights of the Group with net book value of approximately RMB60,567,000 and RMB9,082,000 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 2003: Nil). At 31 December 2004, the Company had provided corporate guarantees in favour of a bank for banking facilities granted to a subsidiary. These banking facilities had been utilised to the extent of approximately RMB104,320,000 at the balance sheet date (31 December 2003: Nil).

Employment, Training and Development

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

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

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

Outlook

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

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

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

OTHER INFORMATION

Purchase, Sale and Redemption of the Company's Listed Securities

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

Audit Committee

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

Code of Best Practice

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the annual report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 28 April 2005 to Friday, 29 April 2005, both days inclusive. To qualify for the proposed final dividend, shareholders should ensure that transfers are lodged at the Company's share registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 27 April 2005.

Directors

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

By Order of the Board
Lai Yueh-hsing
Chairman

Hong Kong, 24 March 2005

* *For identification purpose only*