THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

MAJOR TRANSACTION
ACQUISITION OF PROPERTY

Financial Adviser to the Company

CAPITAL

CSC Asia Limited

* *For identification purposes only*

10 July 2007

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Property by the Purchaser from the Vendor pursuant to the MOU or when subsequently entered into, the Formal Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Company"	Mayer Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	have the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Formal Agreement"	the formal sale and purchase agreement to be entered into on or before 12 July 2007 between a wholly-owned subsidiary incorporated in Taiwan of the Purchaser as purchaser and the Vendor as vendor in relation to the Acquisition
"Group"	the Company and its subsidiaries
"Guangzhou Mayer"	Guangzhou Mayer Corp. Limited, a company incorporated in the PRC and a non wholly-owned subsidiary of the Company
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	9 July 2007, being the latest practicable date for ascertaining certain information referred to this circular prior to the printing of this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Mayer Corporation"	Mayer Corporation Development International Limited, the controlling shareholder of the Company
"MOU"	the memorandum of understanding dated 11 June 2007 entered into between the Purchaser as purchaser and the Vendor as vendor in relation to the Acquisition

"Property"	an industrial building situated at Land No. 14, Kuang Fu Sec., Hsinchu City, Taiwan (台灣省新竹市光復段14地號)
"Purchaser"	the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Taiwan Mayer"	Mayer Steel Pipe Corporation, the ultimate controlling shareholder of the Company, a company incorporated in Taiwan, whose shares are listed on the Taiwan Stock Exchange Corporation
"Vendor"	達欣開發股份有限公司 (Da Cin Development Co., Ltd.)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"NT$"	New Taiwan dollars, the lawful currency of Taiwan
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"%"	per cent.

For the purpose of this circular, all amounts denominated in NT$ have been translated (for information only) into HK$ using the exchange rates of NT$1.00 : HK$0.2367. Such translation shall not be construed as a representation that amounts of NT$ were or may have been converted.

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

Executive Directors
Mr. Lai Yueh-hsing
Mr. Lo Haw
Mr. Cheng Dar-terng
Mr. Chiang Jen-chin
Dr. Lin Meng-chang
Mr. Lu Wen-yi

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

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British West Indies

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Hong Kong

10 July 2007

To the shareholders of Mayer Holdings Limited

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF PROPERTY

INTRODUCTION

The Board announced on 11 June 2007 that the Purchaser entered into a legally binding MOU with the Vendor on 11 June 2007 pursuant to which the Vendor shall sell and the Company shall acquire the Property at a consideration of NT$880,000,000 (equivalent to approximately HK$208,296,000).

The purpose of this circular is to provide you with further information in relation to the Acquisition and to set out the independent valuation report in respect of the Property.

The MOU

Date: 11 June 2007

Parties:

Purchaser: the Company

* *For identification purposes only*

Vendor: 達欣開發股份有限公司 (Da Cin Development Co., Ltd.), a company incorporated in Taiwan

Property to be acquired:

The Property, an industrial building, is situated at Land No. 14, Kuang Fu Sec., Hsinchu City, Taiwan (台灣省新竹市光復段14地號) with a site area of approximately 3,664.54 square metres (1,108.52 ping). The site of the Property is zoned as Type B Industrial Area which is mainly for low hazard industrial and ancillary uses.

Consideration and payment terms:

The consideration for the Acquisition of NT$880,000,000 (equivalent to approximately HK$208,296,000) has been determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market values of comparable properties in the vicinity and an indication of the market value of the Property in the region of NT$910,500,000 (equivalent to approximately HK$215,515,350) provided by an independent valuer, DTZ Debenham Tie Leung Limited.

Pursuant to the terms of the MOU, the consideration for the Acquisition shall be payable in cash by the Purchaser to the Vendor in the following manner:

(a) an initial refundable deposit of NT$24,000,000 (equivalent to approximately HK$5,680,800) (the "Initial Deposit") as part of the first instalment shall be payable to the Vendor by the Company upon signing of the MOU;

(b) a sum of NT$57,500,000 (equivalent to approximately HK$13,610,250), as further deposit and part of the first instalment, shall be payable upon signing of the Formal Agreement scheduled to be entered into on or before 12 July 2007;

(c) a sum of NT$81,500,000 (equivalent to approximately HK$19,291,050) as second instalment shall be payable within one month from the date of which the usage permit of the Property is obtained, the usage permit is expected to be obtained on or before 12 August 2007;

(d) a sum of NT$570,500,000 (equivalent to approximately HK$135,037,350) as third instalment shall be payable upon completion of the transfer of legal title of the Property to the Purchaser, which is expected to be taken place 60 days after the payment of the second instalment; and

(e) the remaining balance of NT$146,500,000 (equivalent to approximately HK$34,676,550), shall be payable upon completion of the construction works on the Property in accordance to the design plans provided by the Purchaser to the Vendor and the delivery of the Property, which is expected to be taken place within 15 days after the payment of the third instalment.

Apart from the consideration of NT$880,000,000 (equivalent to approximately HK$208,296,000), there are no further investment costs to be incurred for the Acquisition.

The Group currently intends to finance the consideration for the Acquisition approximately 80% by bank financing and the remaining approximately 20% either by internal resources of the Group or by capital raising exercises or a combination of them.

Conditions precedent

The MOU shall be conditional upon:

(a) the Board having approved the Acquisition;

(b) the board of the Vendor having approved the Acquisition; and

(c) approvals having been obtained from relevant regulatory authorities in connection with the Acquisition.

If condition (c) above is not fulfilled by 12 July 2007, both parties agree to extend the date of the entering into of the Formal Agreement by one month. In the event that condition (c) is not fulfilled during the extension period of the entering into of the Formal Agreement, the MOU shall automatically lapse and neither party to the MOU shall be in breach to their obligations, and the Initial Deposit shall be fully refunded forthwith to the Purchaser.

The MOU shall continue in force until the execution of the Formal Agreement.

The Formal Agreement

The MOU is intended to set out the parties' understanding regarding the Formal Agreement and the terms and conditions of the Acquisition. Although the terms of the MOU may be refined or expanded subsequently in the Formal Agreement, the principal terms are expected to be substantially the same as those set out in the MOU. The signing of the Formal Agreement is scheduled to be entered into on or before 12 July 2007. The Company will make a further announcement when the Formal Agreement is entered into by the parties.

INFORMATION ON THE PROPERTY AND THE VENDOR

The Property is situated at Land No. 14, Kuang Fu Sec., Hsinchu City, Taiwan (台灣省新竹市光復段14地號) and in an industrial district of Hsinchu City, Taiwan. The Property is located near the intersection of Kung-Tao 5th Road and Zhong Shang Highway. It is located near Hsinchu Science Park, a renowned industrial base for high-tech companies engaging in businesses such as semiconductor manufacturing and is also near National Chiao Tung University, Taiwan.

The Property has a site area of approximately 3,664.54 square metres (1,108.52 ping) and a planned total gross floor area of approximately 20,084.91 square metres (6,075.69 ping). The site of the Property is zoned as Type B Industrial Area which is mainly for low hazard industrial and ancillary uses. The Property is an eleven-storey industrial building with three basement levels of car parking spaces. The Property is currently under construction of which the superstructure of the building has been erected and the internal and external finishing works of the building are being carried out. The Property is scheduled to be completed in September 2007.

The Property is still under development, no profit was recorded for the three financial years ended 31 December 2006.

The Vendor is a non wholly-owned subsidiary of Da Cin Construction Co., Ltd. (達欣工程股份有限公司), the shares of which are listed on the Taiwan Stock Exchange Corporation. Da Cin Construction Co., Ltd. is principally engaged in civil engineering, piling and foundations and building construction. The Vendor, based in Taiwan, is principally engaged in integrated property development, construction, installation, fitting and decoration.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its holding companies are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in processing and manufacturing different kinds of steel sheets and steel pipes which are used in the manufacturing of computing, consumer electronics and communication products, sports equipment, as well as spare parts of household appliances and motor vehicles mainly for the overseas markets through indirect export sales.

As stated in the annual report of the Company for the year ended 31 December 2006, the Group has been identifying suitable investment opportunities in order to maximize returns to the shareholders of the Company. The Directors consider that the Acquisition is in line with the Group's current business diversification strategy to invest in favourable investments capable of generating recurring income and will provide the Group with a good opportunity to enhance the Group's assets base through broadening the income base of the Group. The Company is of the view that due to continuous growth in electronics industry and excessive demand for the scant supply of industrial usage properties in Hsinchu Science Park, nearby developments, such as the area where the Property is situated, are able to benefit from the growing demand for such properties. Given the strategic location of the Property, the Directors are optimistic on the outlook of the property leasing market and are of the view that the Acquisition represents an attractive opportunity for the Group to enhance its assets base. After the signing of the Formal Agreement, the Company intends to commence negotiation with potential tenants for the Property. It is the current intention of the Directors to retain the Property as long term investment of the Group.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the MOU are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

As aforementioned, the consideration for the Acquisition will be financed approximately 80% by bank financing and the remaining approximately 20% either by internal resources of the Group or by capital raising exercises or a combination of both.

Given that the Property is still under development and no tenancy agreement is attached to the Property, the Acquisition is not expected to materially effect the earnings of the Group save that the Group may incur finance charges when obtaining the bank financing.

As set out in the unaudited pro forma consolidated balance sheet of the Group in Appendix II to this circular, assuming the Acquisition had been completed as at 31 December 2006, the consolidated total assets of the Group would increase by approximately RMB166,221,000 and the consolidated total liabilities of the Group would increase by approximately RMB166,803,000. The pro forma information set out in Appendix II to this circular is prepared based on the Company's audited consolidated balance sheet as at 31 December 2006 after making pro forma adjustments relating to the Acquisition.

WRITTEN SHAREHOLDERS' APPROVAL

As the applicable percentage ratios exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to shareholders' approval.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval for the Acquisition may be obtained by written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, the Vendor and its beneficial owner(s) are third parities independent of the Company and its connected persons and therefore no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Mayer Corporation, the controlling shareholder of the Company holding 300,000,000 shares of the Company representing 62.5% of the issued share capital of the Company as at the Latest Practicable Date, has given written approval for the Acquisition. Accordingly, no general meeting for shareholders' approval of the Acquisition will be held.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Mayer Holdings Limited
LAI Yueh-hsing
Chairman

1. SUMMARY OF THREE YEARS FINANCIAL RESULTS

Set out below is a summary of the audited financial information of the Group for the three financial years ended 31 December 2004, 2005 and 2006 as extracted from the relevant annual reports of the Company.

Consolidated income statements

	Year ended 31 December		
	2006	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	1,046,482	1,056,629	941,577
Cost of sales	(971,133)	(1,015,562)	(842,199)
Gross profit	75,349	41,067	99,378
Other revenue	6,282	4,162	288
Other income	10,302	14,178	7,869
Distribution costs	(18,356)	(9,853)	(9,954)
Administrative expenses	(35,058)	(30,558)	(28,124)
Other operating expenses	(8,993)	(2,986)	(3,922)
Profit from operations	29,526	16,010	65,535
Gains on deemed and partial disposals of interests in subsidiaries	4,673	–	–
Finance costs	(20,661)	(14,372)	(5,375)
Profit before taxation	13,538	1,638	60,160
Taxation	(2,095)	(878)	(5,019)
Profit for the year	11,443	760	55,141
Attributable to:			
Equity holders of the Company	12,042	308	41,229
Minority interests	(599)	452	13,912
	11,443	760	55,141
Dividends	9,600	4,000	12,000
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	2.99 cents	0.08 cents	11.7 cents
– Diluted	N/A	N/A	N/A

Consolidated balance sheets

	As at 31 December		
	2006	**2005**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	207,796	195,160	77,975
Leasehold land and land use rights for own use under operating lease	8,638	8,860	9,082
Available-for-sale financial assets	720	720	720
Goodwill	4,719	12,708	–
Deferred tax assets	27	27	268
	221,900	217,475	88,045
Current assets			
Inventories	217,615	212,867	113,378
Trade receivables	370,155	299,529	226,075
Prepayments, deposits and other receivables	23,421	16,340	10,920
Amount due from a related company	2,736	2,733	–
Taxation recoverable	–	1,596	–
Pledged bank deposits	8,652	8,194	–
Bank deposits	21,800	87,553	–
Cash and cash equivalents	45,689	27,136	103,481
	690,068	655,948	453,854
LIABILITIES			
Current liabilities			
Trade payables	139,488	135,171	17,880
Other payables and accruals	35,322	29,648	11,843
Taxation payable	763	–	468
Borrowings	345,771	379,025	230,807
	521,344	543,844	260,998
Net current assets	168,724	112,104	192,856
Total assets less current liabilities	390,624	329,579	280,901
Non-current liabilities			
Borrowings	28,832	48,486	–
NET ASSETS	361,792	281,093	280,901
CAPITAL AND RESERVES			
Issued capital	50,480	42,480	42,480
Reserves	203,866	168,744	174,666
Proposed final dividend	9,600	4,000	12,000
Equity attributable to equity holders of the Company	263,946	215,224	229,146
Minority interests	97,846	65,869	51,755
TOTAL EQUITY	361,792	281,093	280,901

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements together with the relevant notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Note	**2006** *RMB'000*	**2005** *RMB'000*
Turnover	6	1,046,482	1,056,629
Cost of sales		(971,133)	(1,015,562)
Gross profit		75,349	41,067
Other revenue	6	6,282	4,162
Other income	7	10,302	14,178
Distribution costs		(18,356)	(9,853)
Administrative expenses		(35,058)	(30,558)
Other operating expenses		(8,993)	(2,986)
Profit from operations	8	29,526	16,010
Gains on deemed and partial disposals of interests in subsidiaries	9	4,673	–
Finance costs	10	(20,661)	(14,372)
Profit before taxation		13,538	1,638
Taxation	11	(2,095)	(878)
Profit for the year		11,443	760
Attributable to:			
Equity holders of the Company	12	12,042	308
Minority interests		(599)	452
		11,443	760
Dividends	13	9,600	4,000
Earnings per share for profit attributable to the equity holders of the Company during the year	14		
– Basic		2.99 cents	0.08 cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	207,796	195,160
Leasehold land and land use rights for own use under operating lease	18	8,638	8,860
Available-for-sale financial assets	19	720	720
Goodwill	20	4,719	12,708
Deferred tax assets	22	27	27
		221,900	217,475
Current assets			
Inventories	23	217,615	212,867
Trade receivables	24	370,155	299,529
Prepayments, deposits and other receivables	25	23,421	16,340
Amount due from a related company	26	2,736	2,733
Tax recoverable		–	1,596
Pledged bank deposits	27	8,652	8,194
Bank deposits	27	21,800	87,553
Cash and cash equivalents	28	45,689	27,136
		690,068	655,948
LIABILITIES			
Current liabilities			
Trade payables	29	139,488	135,171
Other payables and accruals	30	35,322	29,648
Taxation payable		763	–
Borrowings	31	345,771	379,025
		521,344	543,844
Net current assets		168,724	112,104
Total assets less current liabilities		390,624	329,579
Non-current liabilities			
Borrowings	31	28,832	48,486
NET ASSETS		361,792	281,093
CAPITAL AND RESERVES			
Issued capital	32	50,480	42,480
Reserves	34	203,866	168,744
Proposed final dividend	14	9,600	4,000
Equity attributable to equity shareholders of the Company		263,946	215,224
Minority interests		97,846	65,869
TOTAL EQUITY		361,792	281,093

BALANCE SHEET
As at 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	58	159
Investments in subsidiaries	21	132,967	141,211
		133,025	141,370
Current assets			
Amounts due from subsidiaries	21	78,774	64,015
Other receivables		154	138
Pledged bank deposits	27	3,904	4,056
Cash and cash equivalents	28	15,812	2,529
		98,644	70,738
LIABILITIES			
Current liabilities			
Other payables		1,475	563
Borrowings	31	41,115	40,198
		42,590	40,761
Net current assets		56,054	29,977
NET ASSETS		189,079	171,347
CAPITAL AND RESERVES			
Issued capital	32	50,480	42,480
Reserves	34	128,999	124,867
Proposed final dividend	14, 34	9,600	4,000
TOTAL EQUITY		189,079	171,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

	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 2005	42,480	4,076	71,570	16,345	4,950	352	76,195	12,000	51,413	279,381
Acquisition 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 relating to 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
At 1 January 2006	42,480	4,076	67,570	16,645	4,950	(718)	76,221	4,000	65,869	281,093
Purchase of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(7,160)	(7,160)
Deemed and partial disposals of interests in subsidiaries	–	–	–	–	–	–	–	–	3,706	3,706
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(830)	–	–	(1,628)	(2,458)
Issuance of new shares	8,000	33,710	–	–	–	–	–	–	37,658	79,368
Share issue expenses	–	(200)	–	–	–	–	–	–	–	(200)
Appropriations	–	–	–	1,609	–	–	(1,609)	–	–	–
Profit for the year	–	–	–	–	–	–	12,042	–	(599)	11,443
Dividend paid relating to 2005	–	–	–	–	–	–	–	(4,000)	–	(4,000)
Proposed final dividend	–	–	–	–	–	–	(9,600)	9,600	–	–
At 31 December 2006	50,480	37,586	67,570	18,254	4,950	(1,548)	77,054	9,600	97,846	361,792

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 2005.

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 (2006 Amendment). The appropriation is subject to the shareholders' approval in the annual shareholders meeting of Guangzhou Mayer. Guangzhou Mayer has adopted the amended Company Law and thus no appropriation has been made during the year.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	35(a)	(19,273)	(46,338)
INVESTING			
Proceeds from disposal of a foreign operation		4,131	–
Proceeds from disposal of property, plant and equipment		2,417	70
Purchase of property, plant and equipment		(42,198)	(37,150)
Decrease/(increase) in bank deposits (with original maturities more than 3 months)		65,753	(87,553)
Interest received		1,172	964
Purchase of additional interest in a subsidiary		(6,989)	(20,055)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		24,286	(143,724))
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		5,013	(190,062)
FINANCING			
Proceeds from partial disposals of interests in subsidiaries		13,948	–
Proceeds from issue of shares		79,168	–
New borrowings raised		–	957,388
Increase in pledged bank deposits		(458)	(8,194)
Repayment of borrowings		(52,908)	(796,983)
Dividend paid		(4,000)	(12,000)
Dividend/repayment to minority shareholders of a subsidiary		–	(11,464)
Interest paid		(20,661)	(14,372)
NET CASH INFLOW FROM FINANCING		15,089	114,375
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		20,102	(75,687)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,549)	(658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		27,136	103,481
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		45,689	27,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL 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 and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its register office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company is an investment holding company. The principal activities of its subsidiaries consist of 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.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements of the Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods on or after 1 January 2006. The adoption of new/revised HKFRSs did not result in substantial change to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gain and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39&HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an arrangement contains a lease

The following standards and interpretations to existing standards have been issued but not yet effective in these financial statements.

HKAS 1(Amendment)	Presentation of Financial Statements: Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK (IFRIC) – Int 8	Scope of HKFRS 2 [4]
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives [5]
HK (IFRIC) – Int 10	Interim Reporting and Impairment [6]
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [7]
HK (IFRIC) – Int 12	Service Concession Arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historic cost basis except for the available-for-sale assets, which is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that this is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where loss applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of loss previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

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.

Property, plant and equipment

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

Changes arising in the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be charged to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of disposal or retirement. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Property, plant and equipment

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, after taking into account an estimated of residual value of 10% of cost, using the straight-line method, at the following rates per annum:

	Depreciation
Building and factory premises	4% – $6^2/_3$%
Leasehold improvements	10% – 20%
Furniture, fixtures and office equipment	$6^2/_3$% – 50%
Plant and machinery	10% – $33^1/_3$%
Motor vehicles	20%
Aircrafts	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residue value, of any, are reviewed annually.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

Available-for-sale financial assets

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. 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-on-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 quoted 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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost method and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Interest-bearing borrowings

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

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.

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.

Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

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.

Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are stated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit and loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

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' basic salaries and are charged to the profit and loss account 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.

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.

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.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. 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 minimise 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

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.

4. 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.

5. 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:

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

Aluminum – the design, develop, manufacture and trade of aluminum forged and forged-spun wheels and other spare parts for automobiles.

	Steel		**Aluminum**		**Consolidated**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– External sales	936,499	1,048,532	109,983	8,097	1,046,482	1,056,629
– Inter-segment sales	–	–	–	–	–	–
	936,499	1,048,532	109,983	8,097	1,046,482	1,056,629
Segment results	31,389	22,227	1,873	(1,586)	33,262	20,641
Unallocated operating Income and expenses					937	(4,631)
Profit from operations					34,199	16,010
Finance costs					(20,661)	(14,372)
Taxation					(2,095)	(878)
Profit for the year					11,443	760
Segment assets	629,858	676,955	239,358	169,747	869,216	846,702
Unallocated assets					42,752	26,721
Total assets					911,968	873,423
Segment liabilities	386,596	450,969	120,978	140,785	507,574	591,754
Unallocated liabilities					42,602	576
Total liabilities					550,176	592,330
Capital expenditure	9,521	20,119	32,674	1,420	42,195	21,539
Unallocated amounts					3	15,611
					42,198	37,150
Depreciation and amortisation	11,621	10,457	12,807	3,051	24,428	13,508
Unallocated amounts					1,965	785
					26,393	14,293

b) **Geographical segments**

The Group's revenue for the year ended 31 December 2006 is substantially made to customers based in the PRC, no separate analysis of geographical segment is presented accordingly.

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

	Segment assets		**Capital expenditure**	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	19,929	6,882	3	–
Mainland China	634,642	676,955	9,521	20,119
Taiwan	256,084	187,122	32,674	17,031
Other countries	1,313	2,464	–	–
	911,968	873,423	42,198	37,150

6. 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:

	2006	**2005**
	RMB'000	*RMB'000*
Turnover		
Sale of goods	1,046,482	1,056,629
Other revenue		
Interest income	1,172	964
Rental income	4,966	2,840
Consultancy fee	144	358
	6,282	4,162
	1,052,764	1,060,791

7. OTHER INCOME

	2006	**2005**
	RMB'000	*RMB'000*
Scrap sales	5,111	5,916
Exchange gains, net	1,638	3,019
Fair value gain on foreign currency contracts	–	1,396
Gain on disposal of property, plant and equipment	1,646	–
Reversal of previous impairment losses recognised on trade receivables	931	3,229
Sundry income	976	618
	10,302	14,178

8. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2006	2005
	RMB'000	*RMB'000*
Auditors' remuneration	600	364
Cost of inventories recognised as expenses	975,311	993,240
Depreciation	26,171	14,071
Amortisation of operating lease prepayment	222	222
Loss on disposal of property, plant and equipment	–	120
Operating leases in respect of		
– rented premises	1,390	698
– motor vehicles	541	845
Impairment of inventories	519	–
Contribution to defined contribution retirement schemes	2,286	1,474
Staff costs (including directors' remuneration)	19,631	17,166

9. GAINS ON DEEMED AND PARTIAL DISPOSALS OF INTERESTS IN SUBSIDIARIES

During the year, Fullchamp Technologies Co., Ltd. ("Fullchamp"), a non wholly-owned subsidiary of the Company, offered to issue new shares to existing shareholders of Fullchamp in proportion to their respective interests. The Company did not subscribe for any such new shares in the Fullchamp share offer and as such, it resulted that the Company's equity interest in Fullchamp had been diluted from 51.83% to 39.48% upon the completion of the Fullchamp share offer ("Deemed Disposal").

On 6 September 2006 and 3 October 2006, the Group disposed of 10.97% equity interest in Fullchamp through a wholly-owned subsidiary, Sunbeam Group Limited ("Sunbeam") at an aggregate consideration of NTD57.7 million (equivalent to approximately RMB13.86 million) in cash (the "Disposals") to two independent third parties.

Upon the completion of the deemed and partial disposal of equity interest in Fullchamp as referred to in the two preceding paragraphs , the Group recognised a total gain arising from decrease in interests in subsidiaries of RMB4,673,000 which has been credited to the consolidated income statement for the current year. Further details of the Deemed Disposal and Disposals are set out in the Company's circulars dated 26 May 2006 and 20 October 2006.

10. FINANCE COSTS

	2006	2005
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable repayable within five years		
– within five years	20,661	14,262
– after five years	–	110
	20,661	14,372

11. TAXATION

The charge comprises:

	2006	2005
	RMB'000	*RMB'000*
Income tax		
Current year	2,424	612
(Over)/under provision in prior years	(329)	25
Deferred taxation (note 22)	–	241
	2,095	878

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 (2005: 10%). 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:

	2006	2005
	RMB'000	*RMB'000*
Profit before taxation	13,538	1,638
Tax at income tax at statutory tax rate	2,031	246
Tax effect of tax exemption	–	(365)
Tax effect on non-deductible expenses	2,040	1,320
Tax effect on non-taxable income	(2,555)	(1,044)
Tax loss not recognised	1,274	–
(Over)/under-provision in respect of prior years	(329)	26
Others	(366)	695
	2,095	878

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit attributable to equity holders of the Company includes a loss of approximately RMB9,032,000 (2005: loss of RMB6,675,000) which has been dealt with in the financial statements of the Company for the year ended 31 December 2006.

13. DIVIDENDS

	2006	2005
	RMB'000	*RMB'000*
Proposed final dividend of 2 cents per share (2005: 1 cent)	9,600	4,000

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit from ordinary activities attributable to equity holders for the year of approximately RMB12,042,000 (2005: RMB308,000) and the weighted average of 402,630,137 (2005: 400,000,000) shares in issue during the year.

There were no potential dilutive shares in existence for the year ended 31 December 2006 and 2005, and accordingly, no diluted earnings per share amount has been presented.

15. DIRECTORS' EMOLUMENTS

The emolument of each director for the year ended 31 December 2006 is set out below:

Name of directors	Fees *RMB'000*	Salary *RMB'000*	Bonus *RMB'000*	Total *RMB'000*
Executive Directors				
Lai Yueh-hsing	–	184	–	184
Lo Haw	–	359	–	359
Shen Heng-chiang	–	223	–	223
Wu Kuo-lung	–	92	–	92
Lin Meng-chang	–	221	–	221
Lu Wen-yi	–	92	–	92
Chiang Jen-chin	–	253	–	253
Cheng Dar-terng	–	184	–	184
Non-executive Directors				
Hsiao Ming-chih	–	141	–	141
Huang Chun-fa	–	102	–	102
Independent non-executive Directors				
Lin Sheng-bin	31	–	–	31
Huang Jui-hsiang	31	–	–	31
Alvin Chiu	234	–	–	234
	296	1,851	–	2,147

The emolument of each director for the year ended 31 December 2005 is set out below:

Name of directors	Fees *RMB'000*	Salary *RMB'000*	Bonus *RMB'000*	Total *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

During the year, no emoluments were paid by the Group to any directors or any five highest paid individuals (note 16) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during the year.

The emoluments of the directors were within the following bands:

	2006 Number of Directors	2005 Number of Directors
Nil to RMB1,040,000 (HK$1,000,000)	13	11
RMB1,040,000 (HK$1,000,000) to RMB2,080,000 (HK$2,000,000)	–	–
	13	11

16. FIVE HIGHEST PAID INDIVIDUALS

During the year, the five highest paid individuals in the Group included two (2005: two) directors, details of those emolument are set out in note 15 above. The emoluments of the remaining three (2005: three) individuals for the year ended 31 December 2006 were as follows:

	2006 *RMB'000*	2005 *RMB'000*
Salaries and other benefits	959	821
Bonus	–	–
Contributions to retirement benefit schemes	–	–
	959	821

The remuneration of the individuals was within the following band:

	2006 Number of employees	2005 Number of employees
Nil to RMB1,040,000 (HK$1,000,000)	3	3

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold 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 2005	–	42,251	7,860	180	3,323	68,233	967	–	122,814
Acquisition of a subsidiary	14,932	9,683	–	10,021	340	59,536	196	–	94,708
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	52,050	3,027	13,043	5,434	148,082	1,587	15,201	253,356
Additions	–	–	7,312	8,054	192	26,253	387	–	42,198
Transfers	–	–	(8,280)	–	103	8,176	1	–	–
Disposals	–	–	–	(693)	(88)	(100)	(326)	–	(1,207)
Exchange adjustments	(394)	(288)	–	(406)	(34)	(2,241)	(12)	(494)	(3,869)
At 31 December 2006	14,538	51,762	2,059	19,998	5,607	180,170	1,637	14,707	290,478
Depreciation									
At 1 January 2005	–	10,363	–	25	1,719	32,181	551	–	44,839
Provided for the year	–	2,017	–	832	460	9,750	225	787	14,071
Written-back on disposals	–	–	–	–	(383)	(333)	–	–	(716)
Exchange adjustments	–	–	–	1	1	–	–	–	2
At 31 December 2005	–	12,380	–	858	1,797	41,598	776	787	58,196
Provided for the year	–	2,563	–	2,915	1,040	18,006	284	1,363	26,171
Written back on disposals	–	–	–	(77)	(75)	(44)	(240)	–	(436)
Exchange adjustments	–	(50)	–	(204)	(26)	(907)	(10)	(52)	(1,249)
At 31 December 2006	–	14,893	–	3,492	2,736	58,653	810	2,098	82,682
Net book value									
At 31 December 2006	14,538	36,869	2,059	16,506	2,871	121,517	827	12,609	207,796
At 31 December 2005	14,932	39,670	3,027	12,185	3,637	106,484	811	14,414	195,160

The freehold land is situated in Taiwan.

The building and factory premises are situated in the PRC 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 RMB4,872,000 (2005: RMB2,840,000) and RMB141,000 (2005: RMB358,000) respectively were received and receivable from this related company.

At 31 December 2006, the Group's property, plant and equipment with carrying value of RMB153,691,000 (2005: RMB159,791,000) 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 2005 and 1 January 2006	180	120	300
Additions	–	3	3
Exchange adjustments	(11)	(7)	(18)
	169	116	285
Depreciation			
At 1 January 2005	25	16	41
Provided for the year	60	40	100
At 31 December 2006 and 1 January 2006	85	56	141
Provided for the year	56	38	94
Exchange adjustments	(5)	(3)	(8)
	136	91	227
Net book value			
At 31 December 2006	33	25	58
At 31 December 2005	95	64	159

18. 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 values are analysed as follows:

	2006 *RMB'000*	2005 *RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	8,638	8,860

Bank borrowings are secured on leasehold land for the carrying amount of RMB8,638,000 (2005: RMB8,860,000) (note 31).

	2006 *RMB'000*	2005 *RMB'000*
At 1 January	8,860	9,082
Amortisation of prepaid operating lease payment	(222)	(222)
At 31 December	8,638	8,860

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006 *RMB'000*	2005 *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.

20. GOODWILL

	2006 *RMB'000*	2005 *RMB'000*
At 1 January 2006 and 31 December 2005		
Goodwill attributable to acquisition of subsidiaries	12,708	12,708
Disposal of a foreign operation	(4,131)	–
Deemed and partial disposals of interests in subsidiaries (note 9)	(3,858)	–
At 31 December	4,719	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 at 31 December 2005 and 1 January 2006, was related to the business segment of aluminum wheels and car spare parts which is allocated in Taiwan, and a sales operation in USA which was disposed during the year. The entire remaining balance of the goodwill in the consolidated balance sheet at 31 December 2006 is related to the acquisition of the equity interest of Fullchamp in the last year.

The recoverable amount of CGU as at 31 December 2005 was valued by an independent valuer namely 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 were extrapolated using the estimate rate stated below. The growth rate did not exceed the long-term average growth rate for the business in which CGU operates.

Key assumptions used for value-in-use calculations in 2005 were:

	2005
– 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.

Subsequent to 31 December 2006, this CGU was disposed to the ultimate holding company as referred to note 43(i) below.

No impairment loss has been recognised on the goodwill in respect of the aluminum wheels and car spare parts as the subsequent disposal of this CGU after 31 December 2006 exceeds its carrying value as at 31 December 2006.

21. INTERESTS IN SUBSIDIARIES

	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost (as non-current assets)	132,967	141,211
Amounts due from subsidiaries (as current assets)	80,865	64,015
Less: provision for impairment loss	(2,091)	–
	78,774	64,015
	211,741	205,226

The balances with the subsidiaries are unsecured, interest-free and repayable on demand.

Details of the Company's subsidiaries as at 31 December 2006 are as follows:

Company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of interest held		Principal activities
			Direct	Indirect	
Bamian Investments Pte. Ltd.	Singapore	US$10,100,875	100% (2005: 100%)	–	Investment holding
Guangzhou Mayer Corp., Ltd. *(Note (a))*	PRC	RMB200,000,000	–	81.40% (2005: 77.52%)	Manufacture and trading of steel pipes, steel sheets and other products made of steel
ROC Advance Ltd.	BVI	USD1	100% (2005: 100%)	–	Leasing of aircrafts and provision of consultancy service
Sunbeam Group Ltd.	BVI	USD1	100% (2005: 100%)	–	Investment holding
Fullchamp Technologies Co., Ltd. * *(note (b))*	Taiwan	NTD419,485,000	–	28.51% (2005: 51.83%)	Design, development, manufacture and trading of aluminum forged and forged-spun wheels and other spare parts for automobiles
Teson Corporation *(note (b))**	USA	USD200,000	–	28.51% (2005: 51.83%)	Dormant
Fullchamp Technologies Co. Ltd. (Samoa)* *(note (b))*	Samoa	USD200,000	–	28.51% (2005: 51.83%)	Dormant
Vansen International Ltd. #	BVI	USD1	100% (2005: Nil)	–	Dormant

* Not audited by CCIF CPA Limited

\# Incorporated on 8 March 2006

Note:

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

(b) Following the completion of deemed and partial disposals of the equity interest in Fullchamp as referred to in note 9 to the financial statements above, the Group's equity interest in Fullchamp has been reduced from 51.83% to 28.51% as at 31 December 2006. The Group has control over the operational and financial decision making process of Fullchamp to which the Group has appointed the majority of representatives to its board of directors during the year ended 31 December 2006. In addition, Mayer Taiwan, the ultimate holding company with a shareholding of 22.88% of the issued capital of Fullchamp, has provided a written undertaking to the Company pursuant to which the Company can also control the majority of the votes of the general meetings of Fullchamp. Therefore, Fullchamp has been treated as a subsidiary of the Group during the year ended 31 December 2006. Fullchamp has held all the issued capital of Teson Corporation and Fullchamp Technologies Co. Ltd (Samoa) for the year ended 31 December 2006.

Fullchamp and its subsidiaries contributed approximately RMB103 million and a loss of RMB7 million to the Group's turnover and profit for the year ended 31 December 2006, respectively, and approximately RMB88 million to the Group's net assets as at 31 December 2006.

22. DEFERRED TAX ASSETS

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

	2006 *RMB'000*	**2005** *RMB'000*
At 1 January	27	268
Charge for the year (note 11)	–	(241)
At 31 December	27	27

	Deferred assets *RMB'000*	**Impairment loss on club debentures and property, plant and equipment** *RMB'000*	**Allowance for doubtful debts** *RMB'000*	**Total** *RMB'000*
At 1 January 2005	–	32	236	268
Charge for the year	–	(5)	(236)	(241)
At 31 December 2005	–	27	–	27
Charge for the year	–	–	–	–
At 31 December 2006	–	27	–	27

23. INVENTORIES

	2006 *RMB'000*	**2005** *RMB'000*
At cost:		
Raw materials	142,163	163,937
Finished goods	75,452	48,930
	217,615	212,867

24. 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.

(i) Ageing analysis of trade receivables is as follows:

	2006	2005
	RMB'000	*RMB'000*
1 – 30 days	125,713	70,501
31 – 60 days	83,493	70,294
61 – 90 days	65,695	58,240
91 – 180 days	85,905	92,283
Over 180 days	19,844	19,637
	380,650	310,955
Provision for impairment of trade receivables	(10,495)	(11,426)
	370,155	299,529

(ii) The carrying amounts of trade receivables are denominated in the following currencies:

	2006	2005
	RMB'000	*RMB'000*
RMB	337,702	284,858
United States dollars	309	–
New Taiwan dollars	32,144	14,671
	370,155	299,529

(iii) The carrying amounts of trade receivables approximate to their fair values.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2006	2005
	RMB'000	*RMB'000*
Prepayments	5,938	4,088
Rental deposits	471	593
VAT refundable	8,600	3,489
Advance to suppliers	1,458	720
Other loan	1,700	4,011
Others	5,254	3,439
	23,421	16,340

Other loan in the amount of RMB 1.7 million (2005: RMB4 million) represents the loan receivable from a third party, bearing an interest rate at 9.108% per annum. The directors consider that the balances of prepayments, deposits and other receivables approximate their fair value.

26. 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 repayable within the next twelve months from the balance sheet date. The maximum amount outstanding during the year amounted to RMB2,736,000 (2005: RMB2,733,000).

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 at the balance sheet date.

27. PLEDGED BANK DEPOSITS/BANK DEPOSITS

Pledged bank deposits are used to secure the Group's banking facilities. The pledged bank deposits carry fixed interest rates ranging from 1.15% to 3.80% (2005: 1% to 3.8%) for the year ended 31 December 2006. The bank deposits carry interest at market rates which range from 2% to 2.25% (2005: 2.07% to 2.25%) with maturities of more than three months.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	45,489	26,276	15,612	1,669
Short-term bank deposits	200	860	200	860
	45,689	27,136	15,812	2,529

(i) The effective interest rate on short-term bank deposits is approximately 3.8 % (2005: 3.86%) per annum; these bank deposits have an average maturity of less than 1 month.

(ii) The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	18,894	19,281	–	–
United States dollars	8,760	1,473	–	–
New Taiwan dollars	2,224	3,853	–	–
Hong Kong dollars	15,811	2,529	15,812	2,529
	45,689	27,136	15,812	2,529

(iii) The carrying amounts of cash and cash equivalents approximate their fair values.

29. TRADE PAYABLES

(i) An ageing analysis of the trade payables is as follows:

	2006	**2005**
	RMB'000	*RMB'000*
1 – 30 days	53,387	35,555
31 – 60 days	42,611	26,135
61 – 90 days	17,071	23,267
91 – 180 days	26,366	33,361
Over 180 days	53	16,853
	139,488	135,171

(ii) The carrying amounts of trade payables are denominated in the following currencies:

	2006	**2005**
	RMB'000	*RMB'000*
RMB	6,133	16,821
New Taiwan dollars	133,355	118,350
	139,488	135,171

(iii) The carrying amounts of trade payables approximate their fair values.

30. OTHER PAYABLES AND ACCRUALS

	2006	**2005**
	RMB'000	*RMB'000*
Advance from customers	14,590	2,217
Salaries	6,105	8,777
Accrued expenses	6,281	3,629
Other creditors	8,346	15,025
	35,322	29,648

The carrying amounts of other payables and accruals approximate their fair values.

31. BORROWINGS

At 31 December 2006, the maturity of borrowings is as follows:

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	345,771	365,511	41,115	40,198
After 1 year but within 2 years	14,916	32,302	–	–
After 2 years but within 5 years	9,566	11,100	–	–
After 5 years	4,350	18,598	–	–
	374,603	427,511	41,115	40,198
Current portion	(345,771)	(379,025)	(41,115)	(40,198)
Non-current portion	28,832	48,486	–	–

At 31 December 2006, the borrowings were secured by the followings:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Corporate guarantees by Group companies	73,006	153,320	41,115	40,198
– Secured by plant and machinery with carrying value of RMB102,513,000 (2005:RMB82,667,000)	42,394	23,233	–	–
– Secured by freehold land and land use rights with carrying value of RMB23,176,000 (2005: RMB23,792,000), buildings with carrying value of RMB36,640,000 (2005: RMB39,415,000) and bank deposits of RMB8,652,000 (2005: RMB 8,194,000)	168,585	72,635	–	–
	283,985	249,188	41,115	40,198
– Unsecured	87,299	151,316	–	–
Other loans				
– Secured by plant and machinery with carrying value of RMB: Nil (2005: RMB22,777,000)	3,319	27,007	–	–
	374,603	427,511	41,115	40,198

The borrowings are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong dollars	41,115	40,198	41,115	40,198
RMB	247,000	313,450	–	–
New Taiwan dollars	86,488	73,863	–	–
	374,603	427,511	41,115	40,198

The effective annual interest rates of the borrowings at the balance sheet date were as follows:

	2006			2005		
	HK$	*RMB*	*NTD*	*HK$*	*RMB*	*NTD*
Bank borrowings	2.5-5.5%	2.8-5.5%	2.4-6%	4.6%	4.4-4.9%	2-5.4%

The carrying amounts of all borrowings approximate their fair values.

32. ISSUED CAPITAL

	Number of authorised shares	Number of shares issued	Nominal value of shares issued *RMB'000*
At 1 January 2005 and At 31 December 2005	1,000,000,000	400,000,000	42,480
Issue of shares	–	80,000,000	8,000
At 31 December 2006	1,000,000,000	480,000,000	50,480

On 20 December 2006, pursuant to the subscription agreement entered into the Company and 10 individual investors 80,000,000 shares of HK$0.10 each in the Company were issued at a price of HK$0.50 per share. All the new shares issued rank pari passu in all respects the then existing shares.

33. SHARE OPTION SCHEME

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

Up to 31 December 2006, 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 2005	129,211	4,076	–	3,125	12,000	148,412
Exchange difference	–	–	(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 and 1 January 2006	125,211	4,076	(870)	(3,550)	4,000	128,867
Exchange differences	–	–	(9,036)	–	–	(9,036)
Issue of shares	–	32,000	–	–	–	32,000
Share issue expenses	–	(200)	–	–	–	(200)
Loss for the year	–		–	(9,032)	–	(9,032)
Dividend paid	–	–	–	–	(4,000)	(4,000)
Proposed final dividend	–	–	–	(9,600)	9,600	–
At 31 December 2006	125,211	35,876	(9,906)	(22,182)	9,600	138,599

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 40.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2006	**2005**
	RMB'000	*RMB'000*
Profit before taxation	13,538	1,638
Adjustments for:		
Interest income	(1,172)	(964)
Interest expenses	20,661	14,372
Depreciation	26,171	14,071
Amortisation of operating lease prepayment	222	222
Gain on deemed and partial disposal of interests in subsidiaries	(4,673)	–
Negative goodwill arising from acquisition of additional interest in a subsidiary	(171)	–
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	–	124
Gain on disposal of property, plant and equipment	(1,646)	(4)
Operating profit before working capital changes	52,930	24,834
Increase in inventories	(4,748)	(74,999)
Increase in amount due from a related company	(3)	(2,733)
Increase in trade receivables, prepayments, deposits and other receivables	(77,707)	(45,181)
Increase in trade payables, other payables and accruals	9,991	54,442
Cash outflow from operating activities	(19,537)	(43,637)
Income tax refunded/(paid)	264	(2,701)
Net cash outflow from operating activities	(19,273)	(46,338)

(b) Acquisition of a subsidiary

On 20 October 2005, the Group acquired 51.83% of the share capital of Fullchamp, a private company established in Taiwan. 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 of Fullchamp acquired and goodwill at 31 December 2005 were 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

Details of the decrease in the interest in Fullchamp during the year ended 31 December 2006 and after the balance sheet date are set out in notes 9, 21 and 43(i) to the financial statements.

The tangible assets and liabilities arising from the acquisition of Fullchamp for the year ended in December 2005 were 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

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:

	2006 *RMB'000*	2005 *RMB'000*
Motor vehicles		
Within one year	541	436
Rented premises		
Within one year	830	1,193
In the second to fifth years inclusive	990	727
	2,361	2,356

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:

	2006 *RMB'000*	2005 *RMB'000*
Within one year	4,966	6,004
In the second to fifth years inclusive	1,655	8,005
	6,621	14,009

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

38. COMMITMENTS

	2006 *RMB'000*	2005 *RMB'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	1,498	4,054

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

39. PLEDGE OF ASSETS

At 31 December 2006, the Group pledged the freehold land and land use rights with carrying value of approximately RMB23,176,000 (2005: RMB23,792,000) and building, plant and equipment with aggregate carrying value of approximately RMB139,153,000 (2005: RMB144,859,000) and bank deposits of approximately RMB8,652,000 (2005: RMB8,194,000) to banks to secure banking facilities to the extent of approximately RMB117,120,000 (2005: RMB122,875,000) granted to the Group.

40. CONTINGENT LIABILITIES

At 31 December 2006, the Company has given corporate guarantees in favour certain banks to secure banking facilities of approximately RMB47,017,000 (2005: RMB145,263,000) granted to Guangzhou Mayer, a subsidiary. Out of these banking facilities, approximately RMB44,961,000 was utilised by Guangzhou Mayer as at 31 December 2006 (2005: RMB96,983,000).

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 2006, 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) ROC Advance Limited ("ROC"), a wholly-owned subsidiary of the Group entered into an aircraft lease agreement with Daily Air Corporation Inc., ("Daily Air"), a related company in which Mr. Huang Chun-fa has beneficial interest, regarding the leasing of two aircrafts and the provision of consultancy services by ROC to Daily Air for a term of three years commencing from 1 May 2006 to 30 April 2008 in consideration of rental income and consultancy fee income. At the balance sheet date, RMB2,736,000 is due from this related company (note 26). Total amounts received during the year are disclosed in (ii) below.

(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**	**2006**	**2005**
			RMB'000	*RMB'000*
Lo Haw and his spouse	Director of the company	Rental paid (note)	120	120
Daily Air	Under common director	Rental income	4,966	2,840
		Consultancy fee income	144	358

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

(iii) On 30 June 2006 an ordinary resolution was passed by way of poll that a connected transaction of the issuance of the Fullchamp 10,000,000 new shares at offer price of NTD12.5 per share (the "Fullchamp Offer Shares") to Taiwan Mayer and other investors. The Company did not subscribed for any share in the Fullchamp Offer Shares, as a result, the Company's equity interest in Fullchamp was diluted from approximately 51.83% to 39.48% upon the completion of the Fullchamp Share Offer and it was treated as a deemed disposal by the Company, details of which were disclosed in the circular of the Company dated 12 June 2006.

43. POST BALANCE SHEET EVENTS

(i) The disposal of Fullchamp

On 13 April 2007, Sunbeam, a wholly-owned subsidiary of the Company, entered into the Share Disposal Agreement with Taiwan Mayer, the ultimate holding company, to dispose all of its 28.51% equity interest in Fullchamp for a consideration of NTD149,500,000 (equivalent to approximately HK$35.2 million) in cash, subject to the resolution by the independent shareholders of the Company at its extraordinary general meeting to be held on 31 May 2007.

The consideration for the disposal was determined by reference to the net asset value of Fullchamp as at 31 December 2006 and was arrived at after arm's length negotiation between the Company and Taiwan Mayer.

The estimated proforma gain on the disposal, based on latest audited net assets of Fullchamp as at 31 December 2006 and as if the disposal was completed on 31 December 2006, would amount to approximately RMB4.9 million.

(ii) Acquisition and aircraft sale agreement

On 13 April 2007, ROC, a wholly-owned subsidiary of the Company, entered into the Aircraft Sale Agreement with Sino Regal Assets Limited ("Sino Regal"), a wholly-owned subsidiary of Taiwan Mayer, the ultimate holding company, to acquire two aircrafts from Sino Regal for a total consideration of approximately USD2 million. At the same date, Sino Regal, ROC and Daily Air a related company in which Mr Huang Chun-fa, a non-executive director of the Company, has beneficial interest, executed the Lease Assignment Agreement. Under the Agreement, ROC has agreed to continuously lease the Aircrafts to Daily Air for the period commencing from the date of the Lease Assignment Agreement to 30 April 2008 for an annul rental of USD552,000.

(iii) Raw materials purchase agreement

On 13 April 2007, Guangzhou Mayer, a 81.4% indirectly-owned-subsidiary of the Company, entered into the Raw Material Purchase Agreement with Taiwan Mayer, the ultimate holding company, for the acquisition of raw materials from Taiwan Mayer for the period commencing from 1 April 2007 to 31 March 2010. The directors of the Company expect that the maximum amount of raw material purchase for the three years ending 31 March 2010 will be in the amounts of USD3.9 million, USD4.29 million and USD4.719 million, respectively.

Details of the above transactions are set out in the Company's circular dated 13 April 2007.

44. ULTIMATE HOLDING COMPANY

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

3. INDEBTEDNESS

As at the close of business on 31 May 2007, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had unsecured and secured bank borrowing of approximately RMB153,051,000 and RMB125,133,000, respectively, accrued interest payable of approximately RMB1,629,000, and bills payable of approximately RMB3,703,000. The bank borrowings were secured by land and buildings and other charges of properties plant and machinery and bank deposits of the Group with aggregate net book value of approximately RMB86,770,000. All banking facilities were guaranteed either by the Company or its subsidiaries. Save and except for the above, the Group did not have any other outstanding bank borrowings mortgage, charge or any other borrowings, liabilities under acceptances or acceptance credits or hire purchase commitments.

The Company has given corporate guarantees from certain banks to secure banking facilities of approximately RMB99,402,000 granted to a subsidiary. Out of these banking facilities, approximately RMB70,457,000 was utilised by this subsidiary as at 31 May 2007.

As at the close of business on 31 May 2007, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 May 2007.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

Up to the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2006, the date to which the latest audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are (i) manufacture and trading of steel pipes, steel sheets and other products made of steel; and (ii) leasing of aircrafts and provision of consultancy service. Following completion of the Acquisition, the principal business activities of the Company will include property investment.

For the year ended 31 December 2006, the Group recorded turnover of approximately RMB1,046 million, and net profit for the year of approximately RMB12 million.

Align with the initiative to broaden the Group's business horizon and diversify the income stream and maximize the return of the shareholders, the Board will proactively seek for new and viable business opportunities. The Directors consider that the Acquisition is in line with the Group's current business diversification strategy to invest in favourable investments capable of generating recurring income and will provide the Group with a good opportunity to enhance the Group's assets base through broadening the income base of the Group.

1. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, CCIF CPA Limited.

10 July 2007

The Board of Directors
Mayer Holdings Limited
Room 501, 5 Floor
Aon China Building
29 Queen's Road Central
Central
Hong Kong

Dear Sirs

Mayer Holdings Limited
Unaudited pro forma statement of assets and liabilities

We report on the unaudited pro forma statement of assets and liabilities (the "unaudited pro forma financial information") of Mayer Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about the proposed acquisition of property might have affected the financial information presented therein. The basis of preparation of the unaudited pro forma financial information is set out on pages 49 to 51 to the circular.

Respective responsibilities of directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, consisting the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2006 or any future dates.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis as stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to 4.29 (1) of the Listing Rules.

Yours faithfully
For and on behalf of
CCIF CPA Limited
Hong Kong

Chan Wai Dune, Charles
Managing Director

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The unaudited pro forma statement of assets and liabilities of the Group as set out below has been prepared to illustrate the effect of the Acquisition to the financial position of the Group based on the audited consolidated balance sheet of the Company as at 31 December 2006 after making certain pro forma adjustments in respect of the Acquisition.

The unaudited pro forma statement of assets and liabilities of the Group is prepared on the basis as if the Acquisition had been completed as at 31 December 2006.

The unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2006 or at any future date.

	The Group as at 31 December 2006	Pro forma adjustments	Adjusted balance of the Group
	RMB'000	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	
ASSETS			
Non-Current Assets			
Property, plant and equipment	207,796	208,504*(a)*	416,300
Leasehold land and land use right for own use under operating lease	8,638	–	8,638
Available -for-sale financial assets	720	–	720
Deferred tax assets	27	–	27
Goodwill	4,719	–	4,719
	221,900	208,504	430,404
Current Assets			
Inventories	217,615	–	217,615
Trade receivables	370,155	–	370,155
Prepayments, deposits and other receivables	23,421	–	23,421
Amount due from a related company	2,736	–	2,736
Pledged bank deposits	8,652	–	8,652
Bank deposits	21,800	–	21,800
Cash and cash equivalents	45,689	(42,283)*(b)*	3,406
	690,068	(42,283)	647,785
LIABILITIES			
Current liabilities			
Borrowings	(345,771)	–	(345,771)
Trade payables	(139,488)	–	(139,488)
Other payables and accruals	(35,322)	–	(35,322)
Taxation payable	(763)	–	(763)
	(521,344)	–	(521,344)
Net Current Assets	168,724	(42,283)	126,441
Total assets less current liabilities	390,624	166,221	556,845
Non Current Liabilities			
Borrowings	(28,832)	(166,803)*(b)*	(195,635)
NET ASSETS	361,792	(582)	361,210

Notes:

1. Based on the audited consolidated balance sheet of the Group as at 31 December 2006. Details of which were disclosed in the annual report of the Company for the year ended 31 December 2006.

2. The adjustments reflect:

   (a) The total costs of the Acquisition is as follows:

	RMB'000
Consideration for the Acquisition	208,296
Stamp duty and other taxes borne by the Purchaser	208
	208,504
Professional fees in connection with the Acquisition	582
	209,086

   (b) The total costs of the Acquisition, amounting to RMB209,086,296 is being settled through internal and external resources of the Group.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in the circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuation as at 1 June 2007 of the property.

DTZ 戴德梁行

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

10 July 2007

The Directors
Mayer Holdings Limited
501, 5/F,
Aon China Building,
29 Queen's Road Central,
Hong Kong

Re: The proposed industrial building at Land No. 14, Kuang Fu Sec., near the intersection of Kung-Tao 5th Road and Zhong Shang Highway, Hsinchu City, Taiwan

Instructions, Purpose & Date of Valuation

We refer to your instructions for us to value the interest in the captioned property, assuming it has been completed according to the development scheme, situated in Taiwan, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you (the "Company") and your subsidiaries (together refer to as the "Group") with our opinion of market value on completion of such property interest as at 1 June 2007 (the "Date of Valuation").

Basis of Valuation

Our valuation of the property interest represents its market value in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

We have relied on the information given by the Group and the opinion of its Taiwan legal adviser, Evergreen International Law Offices, regarding the title to the property interest in Taiwan. The status of titles and grant of major approvals and licences, in accordance with the information provided by the Group and the Taiwan legal opinion are set out in the notes in the valuation certificate.

We have prepared our valuation on an entire interest basis in respect of the property interest.

No allowance has been made in our valuations of the property interest for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature, which could affect its value.

The property valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors.

Method of Valuation

The property is currently under construction and is scheduled for completion in September 2007. As instructed, we have valued the property on completion basis. In valuing the property interest, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal adviser on Taiwan and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, development scheme, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly complied in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Group to make reference to the original Chinese edition of the documents and consult its legal adviser regarding the validity and legality as well as the interpretation of the documents.

Title Investigation

In respect of the property interest in Taiwan, we have been provided with extracts of documents in relation to the title to the property interest. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

Site Inspection

We have inspected the exterior of the property. However, no structural survey had been made and no tests had been carried out on any of the services. In the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificate are in New Taiwan dollars (NT$), the official currency of Taiwan.

The valuation certificate is attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K F Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Director

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Charlie C T Yang
Real Estate Appraiser
Associate Director

Note: Mr. Andrew K F Chan, a Director of DTZ Debenham Tie Leung Limited (Hong Kong Office) is a Registered Professional Surveyor who has over 20 years' of experience in the valuation of properties in Hong Kong, Taiwan and the Peoples' Republic of China.

Mr. Charlie C T Yang, an Associate Director of DTZ Debenham Tie Leung Limited (Taiwan Office), is a Real Estate Appraiser who has over 14 years' of experience in the valuation of properties in Taiwan.

VALUATION CERTIFICATE

Property interest held under development in Taiwan

Property	Description and tenure	Particulars of occupancy	Capital value on completion as at 1 June 2007
The proposed industrial building at Land No. 14, Kuang Fu Sec., near the intersection of Kung-Tao 5th Road and Zhong Shang Highway, Hsinchu City, Taiwan	The property comprises a proposed 11-storey plus 3 levels of basement industrial building being erected on a piece of land with a site area of approximately 3,664.54 sq.m. (1,108.52 ping). The building is currently under construction with a planned total floor area of approximately 20,084.91 sq.m. (6,075.69 ping). The basement is planned to provide 221 units of car parking spaces. The land is zoned as Type B Industrial Area (which is mainly for low hazard industrial and ancillary uses).	The superstructure of the building has been erected and the internal and external finishing works of the building are being carried out. The building is scheduled for completion in September 2007.	NT$910,500,000 (equivalent to approximately HK$215,515,350)

Notes:

(1) According to the Land Registration Transcription No. 095790 issued by Songshan Land Registry Office of Taipei City on 15 May 2007, the ownership of the land, with a site area of 3,664.54 sq.m., is mortgaged to Mega International Commercial Bank Limited, whom held in trust for Da Cin Development Co., Ltd. (達欣開發股份有限公司).

(2) According to Construction Permit No. (095)00205 issued by Hsinchu City Government on 5 December 2006, the development of an industrial building with a total gross floor area of 20,084.91 sq.m. (included 2,851.98 sq.m. basement) on the property is approved.

(3) According to Land Zoning Document No. 5171 issued by Hsinchu City Government Urban Development Bureau on 17 May 2007, the land is zoned as Type B Industrial Area.

(4) The opinion of the Company's legal adviser on Taiwan law states, inter alia, that:

(i) Da Cin Development Co., Ltd. has mortgaged the land to Mega International Commercial Bank Limited for a term from 9 March 2006 to 8 March 2036.

(ii) Mega International Commercial Bank Limited is the trustee of the land ownership held for the benefit of Da Cin Development Co., Ltd.

(iii) The construction permit has been issued for the construction of the building.

(iv) Upon the building is completed and the mortgage has not been released, Da Cin Development Co., Ltd. would also have to mortgage the building to Mega International Commercial Bank Limited when the building registration procedure is processed.

(v) Da Cin Development Co., Ltd. is the property ownership beneficiary, when the trust is terminated, the property will belong to Da Cin Development Co., Ltd.

(vi) The land and the building erected thereon have no matter against the relevant law.

(5) The status of the title and grant of major approvals and licences in accordance with the Taiwan legal opinion and the information provided by the Group is as follows:–

Land Registration Transcription	Yes
Construction Permit	Yes
Land Zoning Document	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular in relation to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required 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 are deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(I) Taiwan Mayer

	Number of ordinary shares in Taiwan Mayer					
Name of Director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**Approximate % of shareholding**
Lo Haw	188,442	1,015	10,801,958	–	10,991,415	6.77%
Chang Dar-teng	–	25,014	2,852,300	–	2,877,314	1.77%
Chiang Jen-chin	1,003	–	–	–	1,003	0.00%

(II) Guangzhou Mayer

	Number of ordinary shares in Guangzhou Mayer					
Name of Director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**Approximate % of shareholding**
Lo Haw	–	–	12,800,000	–	12,800,000	6.40%

Save as disclosed above and so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required 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 are deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as are known to the Directors and chief executives of the Company, those persons, other than the Directors or chief executive of the Company, who had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, were as follows:

Name	**Capacity and nature of interest**	**Number of shares**	**Approximate % of Company's issued share capital**
Taiwan Mayer *(Note 1)*	Corporate	300,000,000	62.5%
Mayer Corporation Development International Limited ("BVI Mayer")	Corporate	300,000,000	62.5%
Mr. Cheng Wen-ching *(Note 2)*	Personal	40,000,000	8.33%
Mr Cheng Ya-chung *(Note 3)*	Personal	24,000,000	5.00%
Brocheng International Limited *(Note 4)*	Corporate	20,000,000	4.17%

Note 1: 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.

Note 2: Mr. Cheng Wen-ching personally holds 20,000,000 shares and indirectly holds 20,000,000 shares through Brocheng International Limited which is an investment holding company owned by his families. He is deemed to be interested in the shares held by Brocheng International Limited under Part XV of the SFO.

Note 3: Mr. Cheng Ya-chung personally holds 4,000,000 shares and indirectly holds 20,000,000 shares through Brocheng International Limited which is an investment holding company owned by him and his families. He is deemed to be interested in the shares held by Brocheng International Limited under Part XV of the SFO.

Note 4: Brocheng International Limited is wholly owned by Mr Cheng Wen-ching, Cheng Ya-chung and his families which held 20,000,000 shares. Mr Cheng Ya-chung and Mr Cheng Wen-ching are deemed to be interested in the shares held by Brocheng International Limited under Part XV of the SFO.

Save as disclosed above, as far as the Directors and chief executives of the Company are aware, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of one year respectively and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. Under the service agreements, Mr. Lo Haw and Dr. Lin Meng-chang is entitled to an annual fee of HK$350,000 and HK$432,000 respectively and each of the other four executive Directors is entitled to an annual fee of HK$180,000.

Each of the non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. Each of the non-executive Directors is entitled to an annual fee of HK$100,000. Each of the executive and non-executive Directors is entitled to a discretionary bonus as determined by the Board provided that the total amount of bonuses payable to all the executive and non-executive Directors for such year shall not exceed 5% of the audited consolidated profit after taxation and minority interests but before extraordinary items of the Group (if any) for the relevant year.

Each of the independent non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other side. The aggregate annual fees payable to the independent non-executive Directors is HK$288,000 per year.

Save as set out above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 December 2006 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which competes or likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. EXPERTS

(a) The following are qualifications of experts who have given opinions, letters or advice which are contained or referred to in this circular:

CCIF CPA Limited	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
Evergreen International Law Offices	Taiwan legal adviser

(Collectively, the "Experts")

(b) As at the Latest Practicable Date, none of the Experts has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interests in any assets which have been, since 31 December 2006 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or references to its name in the form and context in which they are included.

9. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Group has entered into any contracts, not being contracts entered into in the ordinary course of business, which are or may be material within the two years immediately preceding the date of this circular.

(a) an agreement dated 1 May 2005 entered into between Sino Regal Assets Limited ("Sino Regal"), a wholly-owned subsidiary of Taiwan Mayer, the lessor, and Daily Air Corporation, Inc., the lessee, in respect of the leasing of two Dornier 228-212 aircrafts ("Aircrafts") at a rental fee of USD23,000 for each aircraft per month;

(b) an agreement dated 13 April 2007 entered into between Sunbeam Group Limited ("Sunbeam"), a wholly-owned subsidiary of the Company, and Taiwan Mayer pursuant to which Sunbeam agreed to sell and Taiwan Mayer agreed to purchase 11,960,000 shares of Fullchamp Technologies Co., Ltd (富成金屬科技股份有限公司) ("Fullchamp"), representing approximately 28.51% of the total issued share capital of Fullchamp and representing the entire equity interest of the Company in Fullchamp, at a consideration of NT$149.5 million (as disclosed in the Company's circular dated 7 May 2007);

(c) an agreement dated 13 April 2007 entered into between ROC Advance Limited ("ROA Advance"), a wholly-owned subsidiary of the Company, and Sino Regal, in respect of the Aircrafts, at a consideration of USD2 million (as disclosed in the Company's circular dated 7 May 2007);

(d) a lease assignment agreement dated 13 April 2007 entered into between Sino Regal, the assignor, ROC Advance, the assignee, and Daily Air Corporation, Inc., the lessee, in respect of the assignment of the Aircrafts lease rights from the assignor to the assignee;

(e) an agreement dated 13 April 2007 entered into between Guangzhou Mayer and Taiwan Mayer pursuant to which Guangzhou Mayer agreed to purchase and Taiwan Mayer agreed to sell raw materials for the period commencing from 1 April 2007 to 31 March 2010; and

(f) the MOU

10. PROCEDURES ON DEMANDING A POLL

Pursuant to Article 76 of the Company, a resolution put to vote at a general meeting of the Company shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting; or

(b) at least five shareholders present in person or by proxy for the time being entitled to vote at the meeting, or

(c) any shareholder or shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or

(d) a shareholder or shareholders present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

11. MISCELLANEOUS

(a) Mr. Lui Cho Tak is the company secretary of the Company. He is a practicing solicitor in Hong Kong, England and Wales and a partner of a law firm in Hong Kong. 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.

Mr. Chan Lai Yin, Tommy is the qualified accountant and financial controller 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 American Institute of Certified Public Accountants. Mr. Chan has over 12 years of experience in the 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.

(b) The registered office of the Company is situated at P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal office in Hong Kong is situated at 501, 5/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The address of the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular prevails over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 501, 5th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong during normal business hours on any business day for a period of 14 days commencing from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the service contracts and the material contracts referred to under the paragraphs headed "Service Contracts" and "Material Contracts" in this appendix respectively;

(c) the property valuation report prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III to this circular;

(d) the report on the unaudited pro forma statement of assets and liabilities of the Group prepared by CCIF CPA Limited, the text of which is set out in Appendix II to this circular;

(e) the legal opinion in respect of the Property prepared by Evergreen International Law Offices as to Taiwan law;

(f) the written consents from each of DTZ Debenham Tie Leung Limited, CCIF CPA Limited and Evergreen International Law Offices as referred to under the paragraph headed "Experts" in this appendix;

(g) the published audited consolidated accounts of the Group for each of the two financial years ended 31 December 2005 and 31 December 2006;

(h) the Company's circular dated 7 May 2007; and

(i) a copy of this circular.