THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Response Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 Response Document to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities 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)

RESPONSE DOCUMENT RELATING TO VOLUNTARY CONDITIONAL CASH OFFERS BY ROOFER SECURITIES LIMITED ON BEHALF OF WANG HAN FOR ALL THE ISSUED SHARES IN AND OUTSTANDING CONVERTIBLE NOTES OF MAYER HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY WANG HAN AND PARTIES ACTING IN CONCERT WITH HIM)

THE INDEPENDENT BOARD COMMITTEE RECOMMENDS TO REJECT THE OFFERS FROM WANG HAN

Financial adviser to Mayer Holdings Limited

大有融資有限公司

MESSIS CAPITAL LIMITED

Independent Financial adviser to the Independent Board Committee

SWS

Shenyin Wanguo Capital (H.K.) Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Response Document.

A letter from the Board is set out on pages 5 to 19 of this Response Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the holder(s) of the Convertible Notes is set out on pages 20 to 21 of this Response Document. A letter from Shenyin Wanguo containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 22 to 38 of this Response Document.

* *for identification purpose only*

23 March 2012

CONTENTS

In this Response Document, the following expressions shall have the following meanings unless the context requires otherwise:

"1st Announcement"	the announcement made by the Offeror dated 18 January 2012 in relation to the Offers pursuant to Rule 3.7 of the Takeovers Code
"1st Share Acquisition"	the acquisition of 70,000,000 Shares by the Offeror from the Vendor at the price of HK$0.12 per Share on 6 January 2012
"2nd Announcement"	the announcement made by the Offeror dated 15 February 2012 in relation to the Offers pursuant to Rule 3.5 of the Takeovers Code
"2nd Share Acquisition"	the conditional acquisition of 166,363,636 Shares by the Offeror from the Vendor at the price of HK$0.12 per Share on 6 January 2012
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate"	has the meaning ascribed to it in the Takeovers Code or the Listing Rules, as the context may require from time to time
"Board"	the board of Directors and for the reasons set out in paragraph 1 of Appendix II to the Response Document, unless stated otherwise, the expression "Board" in this Response Document shall exclude Mr. Xue Wengue, Mr. Li Deqiang and Mr. Lam Chun Yin
"CN Offer"	the voluntary conditional cash offer to be made by Roofer Securities on behalf of the Offeror for the Convertible Notes in accordance with the Takeovers Code
"Company"	Mayer Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Convertible Notes"	outstanding convertible notes of the Company in the principal amount of HK$90,000,000 (which can be converted into an aggregate of 163,636,363 Shares at the conversion price of HK$0.55 per Share)
"Director(s)"	the director(s) of the Company and for the purpose of this Response Document and for the reasons set out in paragraph 1 of Appendix II to the Response Document, the Directors include Mr. Hsiao Ming-chih, Mr. Lai Yueh-hsing, Mr. Chiang Jen-chin, Mr. Lu Wen-yi, Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu only and does not include Mr. Xue Wenge, Mr. Li Deqiang and Mr. Lam Chun Yin

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Closing Date"	10 April 2012, being the first closing date of the Offers (or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code)
"Form(s) of Acceptance"	the forms of acceptance and transfer of the Offer Shares and the Convertible Notes in respect of the Offers accompanying with the Offer Document
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, formed to give a recommendation to the Independent Shareholders and the holder(s) of the Convertible Notes in respect of the Offers
"Independent Shareholders"	Shareholders other than the Offeror and parties acting in concert with him
"Last Trading Day"	6 January 2012, being the last trading day of the Shares prior to the publication of this Response Document
"Latest Practicable Date"	21 March 2012, being the latest practicable date for ascertaining certain information in this circular before printing of this Response Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Document"	the offer document dated 9 March 2012 despatched by the Offeror to the Shareholders and holder(s) of the Convertible Notes in connection with the Offers
"Offer Shares"	691,200,000 Shares, being all the Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him
"Offeror"	Mr. Wang Han
"Offers"	the Share Offer and the CN Offer

"Placing"	the proposed placing of 185,000,000 new Shares by the Company at the placing place of HK$0.11, details of which are set out in the announcements of the Company dated 8 February 2012, 1 March 2012 and 21 March 2012
"Placing Agent"	Finet Securities Limited, a licensed corporation licensed under the SFO to conduct Types 1 (dealing in securities) and 2 (dealing in futures contracts) regulated activities
"Placing Agreement"	the agreement dated 6 January 2012 entered into between the Company and the Placing Agent in respect of the Placing
"PRC"	the People's Republic of China
"Relevant Period"	the period from 18 July 2011 (being the date falling six months prior to 18 January 2012, the date of the 1st Announcement) and up to and including the Latest Practicable Date
"Response Document"	this response document dated 23 March 2012 in relation to the Offers issued by the Company in accordance with the Takeovers Code
"Roofer Securities"	Roofer Securities Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity under the SFO
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Share Offer"	the voluntary conditional cash offer to be made by Roofer Securities on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
"Share Offer Price"	HK$0.12 per Offer Share payable by the Offeror to the holders of the Offer Shares for each Offer Share accepted under the Share Offer

"Shenyin Wanguo"	Shenyin Wanguo Capital (H.K.) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taiwan Mayer"	Mayer Steel Pipe Corporation, a company incorporated in Taiwan with limited liability, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 2020)
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendor" or "Make Success"	Make Success Limited (a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Zhang Xin Yu), the vendor under the 1st Share Acquisition and 2nd Share Acquisition
"Vietnam"	Socialist Republic of Vietnam
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *In this Response Document, conversion of RMB to HK$ is assumed at RMB1 = HK$1.2317*

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. Hsiao Ming-chih *(Chairman)*
Mr. Lai Yueh-hsing
Mr. Chiang Jen-chin
Mr. Lu Wen-yi

Independent non-executive Directors:
Mr. Lin Sheng-bin
Mr. Huang Jui-hsiang
Mr. Alvin Chiu

Registered office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands
British West Indies

Head office and principal place of business:
22/F, W Square
314-324 Hennessy Road
Wanchai
Hong Kong

23 March 2012

Note: For the purpose of this letter and for the reasons set out in paragraph 1 of Appendix II to the Response Document, Mr. Xue Wenge, Mr. Li Deqiang and Mr. Lam Chun Yin have been excluded from the Board.

To the Independent Shareholders and the holder(s) of the Convertible Notes

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS BY
ROOFER SECURITIES LIMITED
ON BEHALF OF WANG HAN
FOR ALL THE ISSUED SHARES IN AND
OUTSTANDING CONVERTIBLE NOTES OF
MAYER HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY WANG HAN
AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

On 18 January 2012, the Offeror announced that the Offeror informed the Board on 6 January 2012 that he was considering to make a voluntary cash general offer for all the outstanding securities of the Company not already owned by the Offeror and parties acting in concert with him at the offer price of HK$0.12 per Share.

* *for identification purpose only*

On 15 February 2012, the Offeror announced that Roofer Securities would make the voluntary conditional cash offers on behalf of the Offeror for all the issued Shares in and Convertible Notes not already owned or agreed to be acquired by the Offeror and parties acting in concert with him in accordance with the Takeovers Code. It was noted that the Offer Document was despatched by the Offeror on 9 March 2012. Details of the Offers are set out in the Offer Document.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, has been formed to advise the Independent Shareholders and the holder(s) of the Convertible Notes in respect of the Offers. According to Rule 2.8 of the Takeovers Code, the independent board committee of the Company should comprise of all non-executive Directors who have no direct or indirect interest in the Offers. As set out in the Company's announcement dated 16 January 2012 and in this Response Document, the Company is pursuing a legal claim against Make Success. Mr. Lam Chun Yin, as proposed by Make Success, was appointed as a non-executive Director on 30 June 2011. The Company believes that each of Mr. Lam Chun Yin, Mr. Li Deqiang (a non-executive Director) and Mr. Xue Wenge (an executive Director proposed by Make Success) has close relationship with Make Success, who purported to transfer to the Offeror all the Shares which represented partial consideration for the acquisition of the entire interest in Yield Rise Limited ("**Yield Rise**") as announced by the Company on 12 November 2010. Therefore, both Mr. Lam Chun Yin and Mr. Li Deqiang are not considered to be independent to be a member of the Independent Board Committee on the basis that they have a material conflict of interest. Accordingly, the Independent Board Committee now comprises of all of the independent non-executive Directors, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu.

Shenyin Wanguo has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Offers. The appointment of Shenyin Wanguo by the Company has been approved by the Independent Board Committee. The letter of advice from Shenyin Wanguo addressed to the Independent Board Committee is set out on pages 22 to 38 of this Response Document.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders and the holder(s) of the Convertible Notes regarding the Offers, and the advice of Shenyin Wanguo to the Independent Board Committee on the Offers.

You are advised to read this Response Document, the view of the Board, the recommendation of the Independent Board Committee and the advice of Shenyin Wanguo carefully before taking any action in respect of the Offers.

EXECUTIVE SUMMARY

The Board refers to the Offers, the terms of which are set out in the Offer Document and summarised in the paragraph headed "The Offers" below. The Board also refers to the letter of advice from Shenyin Wanguo, the independent financial adviser to the Independent Board Committee, set out on pages 22 to 38 of this Response Document.

THE BOARD CONCURS WITH THE OPINION OF SHENYIN WANGUO AND ARE OF THE VIEW THAT THE TERMS OF THE OFFERS ARE UNATTRACTIVE AND NOT FAIR AND REASONABLE SO FAR AS THE SHAREHOLDERS AND HOLDER(S) OF THE CONVERTIBLE NOTES ARE CONCERNED.

The Directors are unanimously and firmly of the view that the Offers are against the best interests of Independent Shareholders and holder(s) of the Convertible Notes.

Pursuant to Note 3 of paragraph 1 of Schedule II of the Takeovers Code, Mr. Xue Wenge, an executive Director, Mr. Li Deqiang, a non-executive Director and Mr. Lam Chun Yin, a non-executive Director are considered by the Directors to have a conflict of interest in respect of the Offers given their close relationship with Make Success and accordingly, they are not in a position to participate or vote in any portion of a board meeting held solely for the purpose of discussing the Offers. Accordingly, Mr. Xue Wenge, Mr. Li Deqiang and Mr. Lam Chun Yin have been excluded from the Board in the expression of their views on the Offers.

The Board (excluding the Independent Board Committee) is of the view that the Offers **should be REJECTED** because:

1. the Share Offer of HK$0.12 per Offer Share represents a discount of approximately 74.81% to the Company's audited consolidated net assets per Share of approximately HK$0.4763 based on the Company's audited consolidated equity attributable to Shareholders of approximately RMB358,690,000 (equivalent to approximately HK$441,798,473) as at 31 December 2010 and 927,563,636 Shares in issue as at the Latest Practicable Date);

2. the Share Offer of HK$0.12 per Offer Share represents a discount of approximately 79.80% to the Company's unaudited consolidated net assets per Share of approximately HK$0.5941 based on the Company's unaudited consolidated equity attributable to Shareholders of approximately RMB447,379,000 (equivalent to approximately HK$551,036,714) as at 30 June 2011 and 927,563,636 Shares in issue as at the Latest Practicable Date);

3. the CN Offer of HK$0.2182 for each HK$1 face value of the Convertible Notes represents a discount of approximately 78.18% to the face value of the Convertible Notes.

Further details from the Board, the letter from the Independent Board Committee and the letter of advice from Shenyin Wanguo are set out in this Response Document.

THE OFFERS

The terms of the Offers as set out in the Offer Document are extracted below. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.

Roofer Securities is making the Share Offer on behalf of the Offeror in compliance with the Takeovers Code as follows:

The Share Offer

For every Offer Share. . . . . HK$0.12 in cash

Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make a comparable CN Offer for the Convertible Notes as part of the Offers as follows:

The CN Offer

For each HK$1 face value of the Convertible Notes .HK$0.2182 in cash

The Convertible Notes are in the principal amount of HK$90,000,000, which can be converted into an aggregate of 163,636,363 Shares at HK$0.55 per Share. Based on the Share Offer Price of HK$0.12 per Offer Share divided by the prevailing conversion price of the Convertible Notes of HK$0.55 per Share, the offer price under the CN Offer is HK$0.2182 for each outstanding HK$1 face value of the Convertible Notes.

Based on the published information in respect of the Company available as at the Latest Practicable Date, the Company has (i) a total of 927,563,636 Shares in issue (of which 236,363,636 Shares, representing approximately 25.48% of the entire issued share capital of the Company, had been acquired or agreed to be acquired by the Offeror and parties acting in concert with him); and (ii) the Convertible Notes. Save as disclosed above, the Offeror is not aware of any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Condition of the Offers

The Share Offer is conditional upon valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the First Closing Date in respect of the Shares, which together with the Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with him, constituting more than 50% of the voting rights of the Company in accordance with the Takeovers Code.

The Offers will be made in compliance with the Takeovers Code, which is administered by the Executive. The CN Offer is conditional upon the Share Offer becoming unconditional in all respects.

The Offers may lapse if they do not become unconditional on the First Closing Date. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.

Effects of accepting the Offers

By accepting the Share Offer, the Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of the 2nd Announcement or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, on or after the date of the 2nd Announcement. The making of the Share Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

By accepting the CN Offer, holder(s) of the Convertible Notes are deemed to give a warranty to the Offeror that the Convertible Notes tendered for acceptance are free from all third party rights, liens, claims, charges, equities, and encumbrances whatsoever and renounced together with all rights accruing or attaching thereto on or after the date of the 2nd Announcement or subsequently becoming attached to them and that such holder(s) of the Convertible Notes will surrender to the Company all of their existing rights, if any, in respect of the Convertible Notes.

INFORMATION ON THE OFFEROR

According to the Offer Document, the Offeror is a merchant and has been involving in the businesses of project investment, property investment, development and operation of service apartments and commercial property projects in Shanghai, the PRC. As set out in the 2nd Announcement, the Offeror acquired 70,000,000 Shares, representing approximately 7.55% of the entire issued share capital of the Company, pursuant to the 1st Share Acquisition and the Offeror further acquired 166,363,636 Shares, representing approximately 17.93% of the entire issued share capital of the Company, pursuant to the 2nd Share Acquisition. According to the Offer Document, (i) the 1st Share Acquisition and the 2nd Share Acquisition had been executed; (ii) all the relevant stamp duties for the 1st Share Acquisition and the 2nd Share Acquisition had been paid for; and (iii) the Offeror is not yet able to register the transfer of title of such 236,363,636 Shares acquired pursuant to the 1st Share Acquisition and the 2nd Share Acquisition into his name. Save for the aforesaid, the Offeror and parties acting in concert with him do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares.

According to Rule 14.81 of the Listing Rules, if, at the close of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

As stated in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offers and the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after close of the Offers.

Shareholders, holder(s) of the Convertible Notes and potential investors of the Company should be aware that the Offers may or may not become unconditional and should therefore exercise caution when dealing in the securities of the Company. Shareholders, holder(s) of the Convertible Notes and potential investors of the Company are also advised to read the Offer Document for detailed information of the Offers and the Offeror.

LITIGATIONS

Claim against Make Success by the Company

On 12 January 2012, the Company (as plaintiff) commenced legal action (HCA 64/2012) against Make Success (as defendant) for breach of the sale and purchase agreement dated 8 November 2010, details of which were set out in the announcement of the Company dated 16 January 2012. On 6 March 2012, an amended writ of summons (the "**Amended Writ**") was issued by the Company as the plaintiff against, among others, the Vendor and the Offeror as defendants in connection with, among others, a conspiracy to defraud the Company and/or to injure the Company's business and economic interests unlawfully by procuring the sale by the Vendor to the Company of the entire shareholding in Yield Rise Limited, which indirectly holds a 70% attributable interest in the right to develop a designated port and certain real estate projects in Vietnam on an inflated valuation arrived at by the use and supply of false and/or misleading information.

Pursuant to the Amended Writ, the Company seeks to be granted the following orders, among others, against the Vendor and/or the Offeror as defendants:

1. An injunction to restrain the Vendor by itself or its respective servants or agents, from disposing of, dealing with, or diminishing the value of, or from procuring the disposal, dealing with or diminution of the value of, among others:

   (a) the 236,363,636 Shares acquired by the Offeror pursuant to the 1st Share Acquisition and 2nd Share Acquisition; or

   (b) the Convertible Notes.

2. A declaration that the Offeror has no title, interest or right to any of the said 236,363,636 Shares, and has acquired no such title, interest or right.

3. A declaration that the purported transfer of the 70,000,000 Shares pursuant to the 1st Share Acquisition by the Vendor to the Offeror on or about 6 January 2012 is null and void and of no legal effect. Alternatively, an order for the re-transfer of the said 70,000,000 Shares by the Offeror to the Company.

4. An injunction to restrain, among others, the Vendor and the Offeror, by themselves or their respective servants or agents, from:

   (a) completing or procuring the completion of an agreement made between the Vendor and the Offeror on or about 6 January 2012 for the sale by the Vendor to the Offeror of 166,363,636 Shares pursuant to the 2nd Share Acquisition; or

   (b) transferring or procuring the transfer of the said 166,363,636 Shares or any part thereof.

5. A declaration that the Convertible Notes are null and void and of no legal effect.

Further details of the Amended Writ are set out in the announcement of the Company dated 9 March 2012. The Company has engaged legal advisers to prepare a statement of claim in relation to the aforesaid claims against, among others, the Vendor and the Offeror. Further announcement and/or supplemental circular will be made by the Company in due course as and when appropriate.

The implication and/or impact of the Amended Writ on the Offers is yet to be ascertained. As stated in the Offer Document, the Offeror is currently seeking legal advice in relation to the Amended Writ and will make further announcement(s) and/or supplemental circular in due course as to any material development in connection with the proceedings on the Offers.

Claim against the Company and certain Directors by Make Success

On 6 January 2012 (after trading hours), the Company entered into the conditional Placing Agreement with the Placing Agent on a best endeavour basis for the placing of up to 185,000,000 new Shares to not less than six placees (including the Placing Agent itself) at the Placing Price of HK$0.11 per Share. The Placing Agreement has been supplemented by the supplemental agreements to extend the long stop date of the Placing to 31 March 2012. Details of the Placing are set out in the announcements of the Company dated 8 February 2012 and 1 March 2012.

As announced by the Company on 28 February 2012, on 15 February 2012, a writ of summons was issued by Make Success against: (i) the Company as the 1st defendant; and (ii) certain members of the Board, namely: Mr. Hsiao Ming-chih, Mr. Lai Yueh-hsing, Mr. Chiang Jen-chin, Mr. Lu Wen-yi, Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, as the 2nd to 8th defendants. Pursuant to the writ, the following orders were, among others, sought to be granted by the Court of First Instance in the High Court of Hong Kong:

1. an order that the Placing Agreement be set aside on the ground that the Placing Agreement was entered into for an improper motive and/or by reason of the breach of fiduciary duties on the part of the 2nd to 8th defendants as directors of the Company;

2. alternatively a declaration that the Placing Agreement was entered into without any or any proper authorisation from the board of the Company and is void, or is voidable and that it be set aside; and

3. an order that the Company and the 2nd to 8th defendants be restrained from taking any steps for the purpose of proceeding with or completing the Placing.

The Company is currently seeking legal advice in respect of the aforesaid proceedings and will make further announcement in due course as to any material development. On 21 March 2012, the Company and the Placing Agent have mutually terminated the Placing Agreement.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date is as follows:

Name of substantial Shareholder	**Number of Shares**	**Approximate % of the Company's issued Share capital**
Mayer Corporation Development International Limited *(Note 1)*	200,000,000	21.56%
Make Success *(Note 2)*	236,363,636	25.48%
Valley Park Global Corporation *(Note 3)*	46,640,000	5.03%
Other public Shareholders	444,560,000	47.93%
Total	927,563,636	100.00%

Notes:

1. Mayer Corporation Development International Limited is a wholly-owned subsidiary of Taiwan Mayer. Taiwan Mayer is deemed to be interested in the 200,000,000 Shares held by Mayer Corporation Development International Limited under the SFO.

2. Make Success is wholly owned by Mr. Zhang Xinyu. Mr. Zhang is deemed to be interested in the 236,363,636 Shares held by Make Success under the SFO. As set out in the 2nd Announcement, the Offeror acquired from Make Success 70,000,000 Shares, representing approximately 7.55% of the entire issued share capital of the Company, pursuant to the 1st Share Acquisition and the Offeror further acquired from Make Success 166,363,636 Shares, representing approximately 17.93% of the entire issued share capital of the Company, pursuant to the 2nd Share Acquisition. According to the Offer Document, (i) the 1st Share Acquisition and the 2nd Share Acquisition had been executed; (ii) all the relevant stamp duties for the 1st Share Acquisition and the 2nd Share Acquisition had been paid for; and (iii) the Offeror is not yet able to register the transfer of title of such 236,363,636 Shares acquired pursuant to the 1st Share Acquisition and the 2nd Share Acquisition into his name. The share transfers are currently subject to legal dispute. Please refer to the paragraph headed "Litigations – Claim against Make Success by the Company" in the "Letter from the Board" in this Response Document for details.

3. Valley Park Global Corporation is wholly owned by Mr. Liu Qiong. Mr. Liu is deemed to be interested in the 46,640,000 Shares held by Valley Park Global Corporation under the SFO. Save for his shareholding in the Company, Mr. Liu does not have any relationship with the Company and/or the Directors.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the (i) manufacturing and trading of steel pipes, steel sheets and other steel products; (ii) development of property; and (iii) operation of port and other relevant logistics business in Vietnam. As announced by the Company on 5 January 2012, upon completion of the very substantial disposal, the Company will cease to operate any steel manufacturing business and will focus on its trading business of steel and non-ferrous metal worldwide. In addition, the Company will continue to assess the development potential of port and logistics business and property development in Vietnam.

The financial information of the Company, as extracted from its annual report for the year ended 31 December 2010 and interim report for the six months ended 30 June 2011, are as follows:

	For the six months ended 30 June 2011 (unaudited) *RMB'000*	**For the year ended 31 December 2010** (audited) *RMB'000*	**For the year ended 31 December 2009** (audited) *RMB'000*
Turnover	245,908	546,958	427,255
Profit/(Loss) before tax	5,435	(102)	(1,174)
Profit/(Loss) attributable to Shareholders for the period/year	1,554	13,739	(510)
Earnings/(loss) per Share from continuing and discontinued operations	RMB0.20 cents	RMB2.30 cents	(RMB0.09 cents)

	As at 30 June 2011 (unaudited) *RMB'000*	As at 31 December 2010 (audited) *RMB'000*
Total assets	1,271,226	582,488
Total liabilities	557,567	159,181
Net assets	713,659	423,307
Total equity attributable to Shareholders	447,379	358,690
Total equity attributable to Shareholders per Share *(Note)*	RMB0.48	RMB0.39

Note: Based on 927,563,636 Shares in issue as at the Latest Practicable Date.

OUTLOOK OF THE GROUP'S BUSINESS AND BUSINESS PLAN

The Company is an investment holding company and its subsidiaries are principally engaged in the (1) manufacturing and trading of steel pipes, steel sheets and other steel products; (2) development of property; and (3) operation of port and other relevant logistics business in Vietnam. The Group is also engaging in trading of steel products and non-ferrous metal through a joint venture.

Looking ahead, the imbalance between demand and supply in the steel and metal sector will continue and the price trends of steel and metal products will remain strong. In a short run, the global economy was weakened by the concerns of weak global demand and the impact of high oil prices. With the PRC's economy maintaining a rapid growth rate, there will still be a strong domestic demand for the Group's products and services.

In the short run, the global economy is likely to be affected by the fluctuations in foreign currencies, with the concerns of weak global demand and the impact of high oil prices. The undercurrent running through many Asian countries' economies is rising inflation. The management of the Company expect that the instability in operating costs, oil prices, interest rate and inflation pressure will continue present more challenges to the Company's and Group's operations.

Project in Vietnam

On 12 November 2010, the Company announced that it had entered into an acquisition agreement with the Vendor for the acquisition (the "**Acquisition**") of the entire interest in Yield Rise and its subsidiaries ("**Yield Rise Group**"). Yield Rise owns a 87.5% equity interest in Best Wonder Holdings Limited, which in turn owns 100% equity interest in Good Wishes Investment Limited ("**Good Wishes**") and Good Wishes in turn owns 80% equity interest in Dan Tien Port Development Joint Venture Company Limited ("**Dan Tien**"), a company which is principally engaged in the development of Dan Tien Port, property development project and relevant logistic business in Mong Cai Town, Quang Ninh Province, Vietnam. Dan Tien is licensed with the Certificate of Investment number 221.022.000.107 by People's Committee of Quang Ninh Province on 28 December 2007 to carry out two separate projects in Vietnam, namely the "Dan Tien Port Project" of Dan Tien Port and the "Phoenix Trade and Tourism Urban Area Project" of the Property.

The "Dan Tien Port Project"

Dan Tien Port is located in Mong Cai Town, Quang Ninh Province, Vietnam. Mong Cai Town lies by the bank of Ka Long River, which is the river that links the PRC and Vietnam. Dan Tien Port harbors the international Bac Luân Border Gate which connects Mong Cai with Guang Xi Province in the PRC. It is 180 km from Ha Long City and 300 km from Hanoi in Vietnam. Dan Tien has appointed China Communications Water Transportation Planning and Design Institute Co. Ltd *(中交水運規劃設計院有限公司) and Dalian China Communications Technology Research Institute *(大連中交理工交通技術研究院有限公司) to design the construction plan of the Port (the "**Design Plan**"). According to the Design Plan of the Dan Tien Port, the first phase of Dan Tien Port will be finished in one and a half year and is designed with a berth for 70,000 tons vessels and four berths for 10,000 tons vessels which will be used for handling mineral ores with a maximum capacity of 20,000,000 tons per annum. The second phase of Dan Tien Port will have a berth for 100,000 tons vessels and four additional berths for 10,000 tons vessels, adding another 20,000,000 tons capacity per annum. In addition, there will be two berths for passenger cruises.

The "Phoenix Trade and Tourism Urban Area Project"

Subject to due diligence, the Phoenix Trade and Tourism Urban Area Project includes, amongst other things:

- Investing and constructing and putting into business the Phuong Hoang Tourist and Commercial Urban Town in Hai Xuan Commune, Mong Cai Town; and

- Conducting real estate business.

The project is located at Hai Xuan Commune, Mong Cai Town, Guang Ning Province in Vietnam and is proposed to be developed into a well–planned residential community which include various facilitates such as sports centre and schools. The total site area of subject development is approximately 3.93 million square meters (393 hectares) divided into two phases of development. A total site area of approximately 2.25 million square meters is slated for phase I development while a total site area of approximately 1.68 million square meters is designated for phase II development.

On 9 May 2011, the Company announced that the Acquisition was completed. On 12 January 2012, the Company (as plaintiff) commenced legal action (HCA 64/2012) against Make Success (as defendant) for breach of the sale and purchase agreement dated 8 November 2010, details of which were set out in the announcement of the Company dated 16 January 2012. On 6 March 2012, an amended writ was issued on 6 March 2012 by the Company as the plaintiff against, among others, the Vendor and the Offeror as defendants in connection with, among others, a conspiracy to defraud the Company and/or to injure the Company's business and economic interests unlawfully by procuring the sale by the Vendor to the Company of the entire shareholding in Yield Rise, which indirectly holds a 70% attributable interest in the right to develop a designated port and certain real estate projects in Vietnam on an inflated valuation arrived at by the use and supply of false and/or misleading information. Depending on the outcomes of the litigations in relation to the above projects which are uncertain, the Acquisition may or may not be rescinded. Since legal proceedings against Make Success has been commenced, the Company considers that disclosure of details of the development of Vietnam projects at the current stage may prejudice the Company's claim. The Company will announce the development of the Vietnam projects as and when appropriate. The Company is seeking legal advice and thus it is not in a position to provide any details/information as requested at this stage.

The "Dan Tien Port Project" and the "Phoenix Trade and Urban Area Project" to be developed by Yield Rise Group (the "**Vietnam Project**") is still under construction and on-going capital investment will be required. In this regard, positive contribution to the Group's operating results is not expected in the near future. However, the Company was unable to assess the construction progress of the Vietnam Project and to obtain its books and records due to the matters in relation to litigation against Make Success. Until recently, the Company has been in contact with the management of the Vietnam Project in order to update the construction progress on which its viability will be assessed in view of the recent development and to obtain latest financial information on which to compile management accounts of Yield Rise and its subsidiaries.

Steel manufacturing and trading business

On 21 November 2011, the Company entered into a sale and purchase agreement with CSGT International Corporation and Chung Mao Trading (Samoa) Corporation (the "**Purchasers**") pursuant to which the Company conditionally agreed to sell and the Purchasers conditionally agreed to acquire the entire issued share capital of Bamian Investments Pte. Limited ("**Bamian**"), an investment holding company incorporated in Singapore with limited liability, at a consideration of approximately RMB184.8 million (the "**VSD Disposal**"). Bamian owns 81.4% equity interest in Guangzhou Mayer Metal Company Limited (廣州美亞股份有限公司) ("**Guangzhou Mayer**") which in turn owns 29.85% equity interest in Vietnam Mayer Company Limited (越南美亞責任有限公司) ("**Vietnam Mayer**"). Both Guangzhou Mayer and Vietnam Mayer are principally engaged in the manufacturing and trading of steel pipes, steel sheets and other steel products. The long stop date of the VSD Disposal is expected to be on 20 November 2012. Upon completion of the VSD Disposal, the Company will cease to operate any steel manufacturing business.

The Company is currently preparing the information to be contained in the circular as required under the Listing Rule. As announced by the Company on 31 January 2012, the expected date of despatch of the circular for the VSD Disposal is 31 March 2012. Given the Offers and the uncertain outcome of litigations, the Company will publish an announcement in relation to delay in dispatch of the circular for the VSD Disposal in due course. Furthermore, the Company has not yet determined the expected date of convening a general meeting for approving the VSD Disposal. However, the completion of the VSD Disposal is subject to certain conditions precedent and some of them are beyond the control of the Company, such as:

(a) There being no continuing adverse change to the financial and operational conditions and future prospects of both Bamian and Guangzhou Mayer; and

(b) The shareholders of the Company having approved the VSD Disposal at an extraordinary general meeting.

Given the current business development of the Company and the environment of steel manufacturing industry, there is no certainty that conditions precedent as above mentioned will be satisfied. The Company is in negotiation with the Purchasers in relation to certain conditions precedent to completion of the VSD Disposal in accordance with the terms of the agreement and will resume compiling the financial information of Bamian and its subsidiaries and preparation of shareholders circular after all the current litigations have finished. The long stop date for completion of the VSD Disposal agreement is 20 November 2012.

The Company has entered into the commodity sector, and has been engaging in trading of steel products and non-ferrous metal through the joint venture company namely, Glory World Development Limited ("**Glory World**"). On 28 January 2011, the Company entered into a capital increase agreement (the "**JV Capital Increase Agreement**") with Taiwan Mayer pursuant to which the share capital of Glory World is increased from US$2,000,000 (equivalent to approximately RMB13,242,000) to US$50,000,000 (equivalent to approximately RMB331,072,000). Pursuant to the JV Capital Increase Agreement, the Company and Taiwan Mayer agree to make further capital contribution on a non pro-rata basis of US$19,000,000 (equivalent to approximately RMB125,808,000) and of US$29,000,000 (equivalent to RMB192,022,000) respectively. The consideration to be paid by the Company is satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000) and (ii) the balance of US$8,000,000 (equivalent to approximately RMB52,972,000) in cash by 31 December 2012. Upon completion of the aforesaid capital injection, the Company's equity interests in Glory World will be decreased from 50% to 40% and the remaining 60% will be owned by Taiwan Mayer. Pursuant to the JV Capital Increase Agreement, Glory World is still under the joint control by the Company and Taiwan Mayer after the capital increase. No further capital injection was made to Glory World by the Company and Taiwan Mayer as a result of Glory World has secured enough line of credits under banking facilities from banks for its trading business. On 8 September 2011, based on the pro-rata basis of the respective shareholdings of the Company and Taiwan Mayer, Glory World has completed reduction of capital from US$24,100,000 to US$21,200,000.

The Company believes that the macroeconomic environment will be supportive for commodities but the market situation is unlikely to ease in the year of 2012.

The Company is seeking various alternative remedies against the Vendor of Dan Tien and other defendants. If the Company's claims against the Vendor are defended by the Vendor, the lawsuit is likely to take a considerable period of time to resolve. With the uncertain in nature of the outcomes of the litigations currently sought, the current business, financial condition, results of operations and prospects of the Company may be adversely affected. In the interim, the steel trading business, as well as the steel manufacturing business (before completion of the VSD Disposal) and the Dan Tien Port business still constitute the major businesses of the Company.

If the outcome of the litigations against Make Success is favorable to the Company, the Vietnam Project may be rescinded. If the Company loses the litigations, it may continue to pursue the development of Vietnam Project. If the VSD Disposal is proceeded and the Vietnam Project is not rescinded, the Company will cease to operate any steel manufacturing business and will focus on its trading business of steel and nonferrous metal worldwide and will reassess the development potential of Vietnam Project. If the VSD Disposal fails and the Vietnam Project is rescinded, the Company will continue to operate steel manufacturing and trading of steel and nonferrous metal businesses. In case the Vietnam Project is rescinded and VSD Disposal is proceeded, the Company will focus on the trading business of steel and nonferrous metal worldwide.

Therefore, the management of the Company will closely monitor the progress and execution of any plans which may be updated from time to time with actual business environment, as well as to actively seek professional advice and aim to maintain the Company on the right track again.

REASONS TO REJECT THE OFFERS

1. The Offers are unfair and unattractive and offer Shareholders and holder(s) of the Convertible Notes a discount rather than a premium for ceding control

The Board notes from the Offer Document that the Offeror intends to acquire a majority interest in the Company. The Share Offer Price and hence the CN Offer price represent a discount rather than a premium to the value of the Company. The Share Offer of HK$0.12 per Offer Share represents a discount of (i) approximately 74.81% to the Company's audited consolidated net assets per Share of approximately HK$0.4763 based on the Company's audited consolidated equity attributable to Shareholders of approximately RMB358,690,000 (equivalent to approximately HK$441,798,473) as at 31 December 2010 and 927,563,636 Shares in issue as at the Latest Practicable Date; and (ii) approximately 79.80% to the Company's unaudited consolidated net assets per Share of approximately HK$0.5941 based on the Company's unaudited consolidated equity attributable to Shareholders of approximately RMB447,379,000 (equivalent to approximately HK$551,036,714) as at 30 June 2011 and 927,563,636 Shares in issue as at the Latest Practicable Date. The CN Offer of HK$0.2182 for each HK$1 face value of the Convertible Notes represents a discount of approximately 78.18% to the face value of the Convertible Notes. **THEREFORE, THE OFFERS ARE UNFAIR AND UNATTRACTIVE**.

2. The Share Offer Price is inadequate

As stated in the Offer Document on page 6, the Share Offer Price of HK$0.12 per Offer Share represents:

(a) a discount of approximately 2.44% to the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 3.85% to the average closing price of approximately HK$0.1248 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(c) a discount of approximately 5.44% to the average closing price of approximately HK$0.1269 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day; and

(d) a discount of approximately 2.44% to the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Offeror is attempting to gain control of the Company but it is **NOT ADEQUATELY COMPENSATING** the Shareholders for ceding control of the Company as it is not offering a premium for the Shares but a discount to market prices. This is inconsistent with market practice, where offerors attempting to acquire control of public companies usually offer a premium to the target's trading price in order to reflect the strategic benefits of acquiring full ownership, hence control.

3. The Offeror has formulated no clear growth strategy and has not provided Shareholders with any real or feasible plans for the Company in the future.

The Board notes from the Offer Document that the Offeror intends to continue the principal business of the Group, and will, following the Offers becoming unconditional, conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider expanding the Company's business and/or diversifying the business of the Group into other business with an objective to broaden its income source. However, no concrete plans nor growth strategy are stated by the Offeror in the Offer Document.

4. There are risks associated with the Offeror's lack of experience in operating a steel business company

The Board notes from the Offer Document that the Offeror is a merchant and has been involving in the businesses of project investment, property investment, development and operation of service apartments and commercial property projects in Shanghai, the PRC. So far as the Board is aware, the Offeror does not have any experience in managing or operating a steel manufacturing and trading company. In the event the Offers are accepted, there are real risks and doubts as to the Offeror's ability to manage or operate the Group's business in view of the Offeror's lack of relevant management and operational capabilities in a steel manufacturing and trading company and the lack of knowledge in the operations and management of the Group as a whole.

5. The Offeror has no proposed new directors to the Board

The Board notes from the Offer Document that the Offeror intends to requisition a shareholder meeting after the Offers become unconditional to seek to appoint new directors to the Board. Moreover, the Offeror did not have any proposed director to the Board. Therefore, it is uncertain whether the new directors to the Board will have the qualifications and experience to guide the future of the Company. In contrast, the Board has substantial experience in the steel, property or logistics industry and has demonstrated a solid track record in managing and operating the Company's businesses.

6. The Offers are unsolicited and do not have the support of the Board and the Directors

The Board wishes to emphasise that the Offers are **UNSOLICITED** and is **NOT SUPPORTED** by the Board (including the independent non-executive Directors taking into account the advice and recommendation of Shenyin Wanguo) and the Directors. As stated in the Offer Document, the Offeror intended to continue the employment of the employees of the Group but some employees may not be involved in the remaining business of the Group upon completion of the VSD Disposal. Given the lack of relevant management and operational capabilities in a steel manufacturing and trading company and the lack of knowledge in the operations and management of the Group as a whole as mentioned above, the Board strongly doubts and is highly sceptical of the Offeror's ability to successfully retain the majority of the Company's employees in the event that the Offers are successful.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, has been constituted to give recommendation to the Independent Shareholders and the holder(s) of the Convertible Notes in relation to the Offers. Shenyin Wanguo has been appointed by the Company after approval by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and in particular as to whether the Offers are or are not fair and reasonable and as to its acceptance.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 20 to 21 of this Response Document and the letter from Shenyin Wanguo set out on pages 22 to 38 of this Response Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Trading in the Shares were suspended from 22 November 2011 to 5 January 2012 pending the release of the announcement in relation to the VSD Disposal on 5 January 2012. Trading in the Shares were suspended again from 9 January 2012, and it will remain suspended pending the release of certain price sensitive information.

Prior to resumption of trading of the Shares, the Company will issue announcements in relation to, among others, legal proceedings against Make Success, sufficiency of operation of the Company to warrant a continued listing, the status of the disposal of Guangzhou Mayer, a criminal allegation against one of the directors of the Company and the annual results of the Company for the year ended 31 December 2011 in due course.

As disclosed in the announcement of the Company dated 21 March 2012, the Board announced that there would be a delay in the publication of the annual results ("**Annual Results**") of the Group for the year ended 31 December 2011 and the despatch of the annual report of the Company for the year ended 31 December 2011 (the "**Annual Report**"). Due to the change of auditors, additional time is required for the new auditors to complete the audit procedures for the consolidated financial statements of the Group for the year ended 31 December 2011. The Company will use its best endeavors to coordinate with the new auditors. For the time being, the Company and the new auditors have not yet agreed on the expected dates of the notice of board meeting for approving the Annual Results, the announcement of the Annual Results and despatch of the Annual Report. The Directors expect that such dates are likely to fall outside the offer period.

Your attention is drawn to the additional information contained in the appendices to this Response Document. You are also recommended to read carefully the Offer Document and the Forms of Acceptance for further details of the Offers before deciding whether or not to accept the Offers.

By Order of the Board
Mayer Holdings Limited
Hsiao Ming-chih
Chairman

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

23 March 2012

To the Independent Shareholders and the holder(s) of the Convertible Notes

Dear Sir or Madam

VOLUNTARY CONDITIONAL CASH OFFERS BY ROOFER SECURITIES LIMITED ON BEHALF OF WANG HAN FOR ALL THE ISSUED SHARES IN AND OUTSTANDING CONVERTIBLE NOTES OF MAYER HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY WANG HAN AND PARTIES ACTING IN CONCERT WITH HIM)

We refer to the Response Document dated 23 March 2012 issued by the Company in response to the Offers, of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to give recommendation to the Independent Shareholders and holder(s) of the Convertible Notes as to whether, in our opinions, the terms of the Offers are fair and reasonable so far as they are concerned and as to acceptance of the Offers. Shenyin Wanguo has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from Shenyin Wanguo on pages 22 to 38 of the Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Response Document.

Having considered the terms of the Offers and the independent advice from Shenyin Wanguo, we consider (i) the Share Offer Price represents a significant discount of approximately 74.8% and 79.8% to the net asset value per Share based on total equity attributable to owners of the Company as at 31 December 2010 and 30 June 2011 respectively; (ii) the Share Offer Price represents the lowest closing price per Share during the period commencing from 1 March 2011 up to and including the Last Trading Day (the "**Review Period**"); (iii) the level of trading volume of the Shares on the Stock Exchange during the Review Period, which Shenyin Wanguo considers that the Independent Shareholders might be able to dispose of the Shares in the market; (iv) the Offeror has not stated whether the proposed Directors have any relevant experience in managing the existing business of the Group; (v) it is unclear on the Offeror's

* *for identification purpose only*

future plan and strategies on the Group's business; (vi) the uncertainties on the development and prospect of the Group which may be caused by the proposed changes in the Board and in the business of the Group after completion of the Offers; and (vii) the offer price for the Convertible Notes was based on the Share Offer Price which Shenyin Wanguo considers is not fair and reasonable, and therefore we are of the view that the terms of the Offers are unattractive and not fair and reasonable so far as the Independent Shareholders and the holder(s) of the Convertible Notes are concerned. As such, we recommend the Independent Shareholders and the holder(s) of the Convertible Notes not to accept the Offers.

Yours faithfully
Independent Board Committee

Mr. Lin Sheng-bin	**Mr. Huang Jui-hsiang**	**Mr. Alvin Chiu**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from the Shenyin Wanguo to the Independent Board Committee in relation to the Offers for the purpose of incorporation in the Response Document.

Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

23 March 2012

To: The Independent Board Committee of Mayer Holdings Limited

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFERS BY ROOFER SECURITIES LIMITED ON BEHALF OF WANG HAN FOR ALL THE ISSUED SHARES IN AND OUTSTANDING CONVERTIBLE NOTES OF MAYER HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY WANG HAN AND PARTIES ACTING IN CONCERT WITH HIM)

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, in relation to the Offers, details of which are contained in the "Letter from the Board" of the Response Document to the Shareholders dated 23 March 2012, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise specifies.

On 15 February 2012, the Offeror announced that Roofer Securities will make the Share Offer on behalf of the Offeror in accordance with the Takeovers Code. Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make a comparable CN Offer for the Convertible Notes. The Offer Document was published on 9 March 2012.

According to Rule 2.8 of the Takeovers Code, the independent board committee of the Company should comprise all non-executive Directors who have no direct or indirect interest in the Offers. As set out in the Company's announcement dated 16 January 2012 and the "Letter from the Board" in the Response Document, the Company is pursuing a legal claim against Make Success. According to the

Company, Mr. Lam Chun Yin ("Mr. Lam"), as proposed by Make Success, was appointed as a non-executive Director on 30 June 2011. The Company believes that each of Mr. Lam, Mr. Li Deqiang (a non-executive Director) and Mr. Xue Wenge (an executive Director proposed by Make Success) has close relationship with Make Success, who purported to transfer to the Offeror all the Shares which represented partial consideration for the acquisition of the entire interest in Yield Rise Limited (the "Acquisition") as announced by the Company on 12 November 2010.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu, has been formed to advise the Independent Shareholders and the holder(s) of the Convertible Notes in relation to the Offers.

As the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable, and as to acceptance.

II. BASIS AND ASSUMPTIONS

In formulating our opinion, we have relied upon the statements, information, opinions and representations contained in the Response Document and the information and representations provided to us by the Company for which they are solely responsible, and to their information and knowledge, were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Response Document. We have assumed that all the opinions and representations made or provided by the Directors contained in the Response Document have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Response Document.

We consider that we have reviewed all available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, and their respective advisers to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries or associates.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in relation to the Offers, we have taken into account, inter alia, the following principal factors and reasons:

The Share Offer

1. Information on the Group

The Company is a company incorporated in Cayman Islands with limited liability. It is principally engaged in the manufacturing and trading of steel pipes, steel sheets and other products made of steel and leasing of aircrafts. Through the Acquisition, the Group also engages in the development of property, operation of port and other relevant logistics business in Vietnam.

1.1 Financial information on the Group

Set out below are highlights of the financial information and operating results of the Group for the two years ended 31 December 2010 and for the six months ended 30 June 2011 as extracted from the Company's published annual report for the year ended 31 December 2010 and the published interim report for the period ended 30 June 2011 respectively:

	For the six months ended 30 June		For the year ended 31 December	
	2011	**2010**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)* *(restated)*
Turnover	245,908	258,181	546,958	427,255
Profit/(loss) from continuing operations	5,315	17,465	(362)	(4,313)
Profit/(loss) from discontinued operations	(2,879)	14,240	17,322	5,584
Profit for the period/year	2,436	31,705	16,960	1,271

	As at 30 June	As at 31 December	
	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(audited)*	*(audited)*
Major assets			
– trade and other receivables	161,495	163,417	175,355
– cash and cash equivalents	42,529	106,595	98,736
– deposit for the Acquisition	–	63,880	–
– loan to a jointly controlled entity	–	72,836	–
– investment property	–	–	220,867
– intangible assets	547,505	–	–
Total assets	**1,271,226**	**582,488**	**697,727**
Major liabilities			
– trade and other payables	79,642	40,939	53,038
– bank borrowings	125,244	118,242	279,418
– convertible bonds	70,959	–	–
– promissory note	261,165	–	–
Total liabilities	**557,567**	**159,181**	**339,515**
Net assets	**713,659**	**423,307**	**358,212**
Total equity attributable to owners of the Company	**447,379**	**358,690**	**295,510**

For the year ended 31 December 2009, the Group's audited turnover was approximately RMB427.3 million representing a decrease of approximately 36.0% from RMB667.2 million in 2008. According to the management of the Company, the decrease in turnover and profit was attributed to the decrease in market demand and overall prices of steel products in the first half of 2009 due to economic slowdown after the financial tsunami erupted in 2008. Profit for the year ended 31 December 2009 dropped significantly from approximately RMB10.5 million in 2008 to approximately RMB1.3 million.

As at 31 December 2009, the Group's major assets were investment property of approximately RMB220.9 million, trade and other receivables of approximately RMB175.4 million and cash and cash equivalents of approximately RMB98.7 million. The Group's major liabilities were bank borrowings of approximately RMB279.4 million. The Group had net assets of approximately RMB358.2 million as at 31 December 2009.

For the year ended 31 December 2010, the Group's audited turnover increased by approximately 28.0% to approximately RMB547 million as compared to previous year. Loss from continuing operations decreased significantly from approximately RMB4.3 million in previous year to approximately RMB0.36 million. The increase in turnover was attributable by the increase in sales volume as well as the improvement in sales price of steel products since the third quarter of 2010. Turnover for sales of steel pipes, steel sheets and other products made of steel increased from approximately RMB418.4 million in 2009 to RMB539 million in 2010. During the year, the management of the Company took measures on reduced costs, enhanced efficiency and adjusted marketing strategy. However, the Group's gross profit margin was adversely affected by a higher average growth rate of the purchasing cost of materials despite the growth in sales prices of the Group's products. Gross rentals from leasing of aircrafts for the year were approximately RMB8.0 million. This line of business provided a stable stream of income for the Group. During the year, the Group has discontinued its property investment operations.

As at 31 December 2010, the Group's major assets were trade and other receivables of approximately RMB163.4 million, cash and cash equivalents of RMB106.6 million, deposit for the Acquisition of approximately RMB63.9 million and loan to a jointly controlled entity namely Glory World Development Limited ("Glory World") of USD11 million (approximately RMB72.8 million). Pursuant to a capital increase agreement on 28 January 2011, this loan had been capitalized as the Group's capital injection to this entity. The Group's major liabilities were bank borrowings of approximately RMB118.2 million and trade and other payables of RMB40.9 million. The Group had net assets of approximately RMB423.3 million as compared to RMB358.2 million as at 31 December 2009.

For the period ended 30 June 2011, the Group's turnover decreased by approximately 4.8% to RMB245.9 million from RMB258.2 million for the same period in 2010. The decrease in turnover was attributed by the reduced sales volume and average selling price of the Group's steel products. Despite increase in market demand and the rise in overall prices of steel products, the steel product market remained acute due to the overcapacity in the industry. The Group's operating result was adversely affected by the decrease in gross profit margin due to keen market competition, increase in administrative cost and increase in finance cost under the inflationary pressure in the PRC. In 2010, the Group has engaged in the commodity trading of non-ferrous metals and other mineral resources through Glory World. However, the economic scenario and the commodity market was affected by the high oil price in the first half of 2011. The Group had a share of loss of result of Glory World of approximately RMB4.5 million during the period under review.

On 12 November 2010, the Company announced that it had entered into an acquisition agreement for the acquisition of the entire interest in Yield Rise Limited and its subsidiaries (the "Yield Rise Group"). The Yield Rise Group indirectly holds a 70% attributable interest in the right to develop a designated port i.e. the Dan Tien Port and certain real estate projects in Vietnam ("Vietnam Project"). As at 30 June 2011, the Group's major asset was the carrying value of RMB547.5 million of the intangible assets arising on the Acquisition. The intangible asset represents the investment certificate granted by the People's Committee of Quang Ninh Province, Vietnam for the Vietnam Project. Other assets mainly comprised properties under development for sale of RMB183.7 million owned by the Yield Rise Group in Vietnam. Total liabilities of the Group increased to approximately RMB557.6 million as a result of the Acquisition which was partly financed by bank finance, internal cash resources and the issue of Convertible Notes and promissory notes.

1.2 *Recent development of the Group*

Business

The Acquisition was completed on 9 May 2011. Apart from its principal business of the manufacturing and trading of steel pipes, steel sheets and other products made of steel, the Group also engages in the development of the Dan Tien Port, property development and relevant logistic business in Mong Cai Town, Quang Ninh Province, Vietnam.

Given the over-capacity and over-supply of steel products in the PRC, the Company considers that the PRC steel market has been saturated and the business environment of the industry has become more challenging. In view that their operation in Guangzhou does not have an expansion plan to maintain its market competitiveness and for business rationalization, the Company proposed the disposal of the Company's indirect interest in Guangzhou Mayer Metal Company Limited (the "VSD") as set out in its announcement dated 5 January 2012 ("Disposal Announcement"). The VSD will be subject to the Shareholders' approval at a general meeting. According to the Disposal Announcement, net proceeds from the VSD is estimated at approximately RMB182 million and an expected loss of approximately RMB6.4 million will be resulted. According to the agreement in relation to the VSD ("VSD Agreement"), completion shall not take place and the VSD Agreement shall be terminated if the relevant approval in relation to the VSD has not been obtained from either the Stock Exchange or the Shareholders within one year after the signing of the VSD Agreement on 21 November 2011. Upon completion of the VSD, the Company will cease to operate any steel manufacturing business. The circular in relation to the VSD is under preparation and is expected to be despatched on 31 March 2012.

Fund raising

On 8 February 2011, the Company announced the Placing to raise net proceeds of approximately HK$19.7 million for its general working capital or utilized to finance any future investment opportunities to be identified by the Group. According to the ruling of the Executive, the Placing constitutes a frustrating action under Rule 4 of the Takeovers Code and should not proceed without the approval of the Shareholders. As disclosed in the announcement of the Company dated 21 March 2012, the Company and the placing agent, Finet Securities Limited, have mutually terminated the Placing on the same date.

Other uncertainties facing the Company

– *Litigations*

The Company is being involved in a number of legal proceedings as set out in the "Letter from the Board" in the Response Document, the outcomes of which are uncertain. The Company's financial position may be adversely affected if the results are against the Company. However, Independent Shareholders should note that these legal proceedings are at the preliminary stages, outcomes of which may not be known in the short run.

– *Validity of the Acquisition*

Depending on the outcomes of the relevant litigations, the Acquisition may or may not be rescinded and impairment on the value of the Vietnam Project may or may not be required.

– *Financial information*

As learnt from the Company, it was unable to obtain the books and records of the Yield Rise Group due to the disputes with Make Success. Until recently, the Company has been in contact with the management of the Vietnam Project to obtain latest financial information on which to compile management accounts of Yield Rise Group. The Company announced on 21 March 2012 that due to the change of auditors, additional time is anticipated for the new auditors to complete the audit procedures for the consolidated financial statements of the Group for the year ended 31 December 2011. It is expected that announcement of the Group's results for the year ended 31 December 2011 ("Annual Results") will be delayed. For the time being, the Company and the new auditors have not yet agreed on the expected dates of the notice of board meeting for approving the Annual Results, the announcement of the Annual Results and despatch of the annual report for the year ended 31 December 2011. The Directors expect that such dates are likely to fall outside the offer period.

– *Financial position of the Group*

The Company informed that the Vietnam Project is still under construction and ongoing capital investment will be required. As set out in the Company's circular dated 13 April 2011, the first phase development of the Dan Tien Port will take 1.5 years and the capital expenditure required was estimated at approximately HK$407.6 million. In this regard, positive contribution to the Group's operating results is not expected in the near future.

According to the Disposal Announcement, estimated net proceeds of approximately HK$182 million to be received from the VSD will be used (i) for developing the Group's non-ferrous metal and other minerals trading business; (ii) for investing in the Dan Tien Port in Vietnam; (iii) for improving the liquidity of the Company by way of settlement of bank borrowings; and (iv) as general working capital of the Company. If the VSD, which is subject to the Shareholders' approval, cannot proceed, the Company considered that its financial position may be adversely affected.

1.3 Prospects and outlook of Group

According to the Bureau Statistics of China published in September 2011, from January to September 2011, overall production of steel products was 6.7 billion tonnes representing an increase of 13.9% over same period of previous year. The demand for steel in different forms varies according to their different usage. Because of the demand from sizable infrastructure developments, production of long steel increased by 16.7% during the period under review. On the other hand, due to the reduced demand from vessel building, chemical industry and other light industries, production of steel sheets increased by 10.3% and was lower than the overall increase in production of steel products as mentioned above. According to the press release of China Iron and Steel Association (中國鋼鐵工業協會) in October 2011, the steel industry is under a high cost (particularly the cost of iron ores, coal and electricity which are raw materials and source of energy for the production of steel) and low profit environment. The mix of export was changed with the proportion of long steel and steel pipes increases whereas that for steel sheets decreases. China Iron and Steel Association is a national, non-profit organization founded in 1999 and operates under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). According to the Bureau of Statistics of China published in September 2011, export of steel products increased by 14.9% to 48.9 million tonnes and by 39.2% to USD51.3 billion in 2011 as compared to those in previous year. According to the China Monetary Policy Report Quarter Four, 2011 (2011年第四季度中國貨幣政策執行報告) published by the People's Bank of China, 2011 was a challenging year for the steel and iron industry. Due to excessive supply of steel and iron, the steel and iron industry faced the problem of overcapacity.

The Organisation for Economic Co-operation and Development Steel Committee stated in its meeting in May 2011 that, in the PRC, moderate demand growth rate of 5% is expected for the steel industry in 2011 and 2012. Construction is the largest market for steel and continues to be the weakest of all the demand sectors especially in advanced economies. Even in the PRC, construction growth should be slow as government stimulus ends and efforts are made to reduce energy use and cool down the real estate sector.

As revealed from the above and discussed with the management of the Company, the Group's steel business is facing high purchasing cost under the inflation any pressure in the PRC and the over-supply of steel products which affects the selling price. In this regard, the Group proposed to dispose of its manufacturing facility in Guangzhou, the PRC and focus on its trading business. The Group also develops the emerging markets such as Vietnam for its products. We consider that the Group's strategic moves are reasonable in view of the lower fixed cost required for trading business as compared to manufacturing. Also, the market diversification is expected to provide further business opportunities for the Group.

The Dan Tien Port is still under construction and the first phase construction period will take 1.5 years. Construction of the second phase will commence only after successful operation of the first phase. Due to the current disputes between Make Success and the Company, there are uncertainties as to the date of commencement of operations of the Dan Tien Port. In this regard, we believe that the property development in the Dan Tien Port and relevant logistic business will not record turnover and/or profit for the Group in the near future. Since legal proceedings against Make Success have been commenced, the Company considers that disclosure of details of the development of Vietnam Project at the current stage may prejudice the Company's claim. The Company will announce the development of the Vietnam Project as and when appropriate. In fact, the Company is seeking legal advice and thus it is not in a position to provide any details/information as requested at this stage.

According to the management of the Company, in view of the cash flow to be generated from the VSD and the outlook for steel manufacturing which remains highly competitive, the Company considers that the VSD is beneficial to the Company and do not currently have any plan to terminate the transaction. The unaudited consolidated financial information of the Group for the six months ended 30 June 2011 as if completion of the Disposal took place on 1 January 2011 was set out in the Disposal Announcement for illustrative purpose. This was based on the assumption that the Acquisition will not be rescinded. Given this, we are of the view that the Company may not have sufficient operations for its remaining business should the Acquisition be rescinded and the VSD be proceeded. However, if under such circumstances, the cash position of the Group may be improved given the estimated proceeds of approximately HK$182 million to be received from the VSD and no capital expenditure will be required for the Vietnam Project. We expect that the Company may look for other investment opportunities to maintain a sufficient level of business to ensure compliance with the requirements of the relevant Listing Rules.

2. Principal terms of the Offers

Roofer Securities is making the Share Offer on behalf of the Offeror in compliance with the Takeovers Code as follows:

The Share Offer

For every Offer Share .... HK$0.12 in cash

Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make a comparable CN Offer for the Convertible Notes as part of the Offers as follows:

The CN Offer

For each HK$1 face value of the Convertible Notes .... HK$0.2182 in cash

The Convertible Notes are in the principal amount of HK$90 million, which can be converted into an aggregate of 163,636,363 Shares at HK$0.55 per Share. According to the Offer Document, based on the Share Offer Price of HK$0.12 per Offer Share divided by the prevailing conversion price of the Convertible Notes of HK$0.55 per Share, the offer price under the CN Offer is HK$0.2182 for each outstanding HK$1 face value of the Convertible Notes.

As at the Latest Practicable Date, the Company has (i) a total of 927,563,636 Shares in issue (of which 236,363,636 Shares, representing approximately 25.48% of the entire issued share capital of the Company, had been acquired or agreed to be acquired by the Offeror and parties acting in concert with him); and (ii) the Convertible Notes. Save as disclosed above, the Offeror is not aware of any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Comparison of value

The Share Offer Price of HK$0.12 per Offer Share represents:

(a) a discount of approximately 2.44% to the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 3.85% to the average closing price of approximately HK$0.1248 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(c) a discount of approximately 5.44% to the average closing price of approximately HK$0.1269 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(d) a discount of approximately 2.44% to the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a discount of approximately 74.81% to the Company's audited consolidated net asset per Share of approximately HK$0.4763 based on the Company's audited consolidated equity attributable to Shareholders of approximately RMB358,690,000 (equivalent to approximately HK$441,798,473) as at 31 December 2010 and 927,563,636 Shares in issue as at the Latest Practicable Date; and

(f) a discount of approximately 79.80% to the Company's unaudited consolidated net asset per Share of approximately HK$0.5941 based on the Company's unaudited consolidated equity attributable to Shareholders of approximately RMB447,379,000 (equivalent to approximately HK$551,036,714) as at 30 June 2011 and 927,563,636 Shares in issue as at the Latest Practicable Date.

Further details of the Offers are set out in the "Letter from the Offeror" and Appendix I to the Offer Document.

3. Historical performance of the Shares

3.1 Share price

Set out in the chart below are the historical closing prices of the Shares traded on the Stock Exchange commencing from 1 March 2011 up to and including the Last Trading Day (the "Review Period").

Source: website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the chart above, the highest and lowest closing prices per Share were HK$0.495 recorded on 23, 24 and 25 March 2011 and HK$0.12 recorded on 21 November 2011 respectively. The Share Offer Price represents a discount of approximately 75.8% to the highest closing price per Share and equals to the lowest closing price per Share. The average of the closing prices per Share during the Review Period was approximately HK$0.205. The Offer Price represents a discount of approximately 41.5% to such average closing price. According to the management of the Company, they are not aware of any event(s) that was price sensitive which may led to the surge in share prices during the three days ended 25 March 2011. During the Review Period, the closing prices of the Shares fluctuated within a narrow range and gradually decreased to the lowest closing price per Share of HK$0.12 on 21 November 2011. Trading in the Shares was suspended on 22 November 2011 pending the announcement of the VSD. The Disposal Announcement was published on 5 January 2012 and trading in the Shares was resumed on 6 January 2012 and the Shares were closed at HK$0.123. At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 9 January 2012 pending the release of an announcement by the Company which is of price-sensitive in nature.

The Company announced on 16 January 2012 that it has issued on 12 January 2012 a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Make Success for breach of the agreement in relation to the Acquisition and misrepresentation. On 8 February 2012, the Company announced that it had entered into a placing agreement in relation to the Placing on 6 January 2012. On 28 February 2012, the Company announced that Make Success has on 15 February 2012 issued a writ of summons against the Company and certain members of the Board in relation to the Placing. For detailed information, please refer to these announcements published in the Company's website. As at the Latest Practicable Date, trading of the Shares remains suspended. As learnt from the Company, they are preparing an application for the resumption of trading of the Shares and announcements in relation to, among others, legal proceedings against Make Success, sufficiency of operation of the Company to warrant a continued listing, the status of the VSD and a criminal allegation against a Director and the annual results of the Company for the year ended 31 December 2011 in due course.

Taking into account that the Share Offer Price is the lowest closing price per Share during the Review Period and at a significant discount to the net asset value per Share as analysed below, we consider that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

3.2 Liquidity

The following table sets out the total monthly volume of Shares traded, the average daily trading volume, the relative value as a percentage of the total issued share capital and the relative value as a percentage of the Public Shares (as defined below) for the Review Period.

	Total monthly trading volume *(in number of Shares)*	**Approximately average daily trading volume** *(in number of Shares) (Note 1)*	**Percentage of total monthly trading volume to total number of Shares in issue as at the Latest Practicable Date** *(approximate %) (Note 2)*	**Percentage of total monthly trading volume to total number of Public Shares** *(approximate %) (Note 3)*
2011				
March	14,871,000	646,565	1.60	3.35
April	4,491,000	249,500	0.48	1.01
May	4,620,000	231,000	0.50	1.04
June	196,768,000	9,369,905	21.21	44.26
July	162,536,000	8,126,000	17.52	36.56
August	31,990,000	1,432,435	3.45	7.2
September	80,722,000	4,013,600	8.65	18.06
October	28,734,000	1,436,700	3.10	6.46
November *(Note 4)*	8,318,000	554,533	0.90	1.87
December	Nil	Nil	Nil	Nil
2012				
6 January *(Note 5)*	488,000	N/A	0.05	0.11

Source: website of the Stock Exchange – www.hkex.com.hk

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.

2. Based on 927,563,636 Shares, being the total number of Shares in issue as at the Latest Practicable Date.

3. Based on 444,560,000 Shares (the "Public Shares") held by public Shareholders (being Shareholders other than Mayer Corporation Development International Limited, Make Success and Valley Park Global Corporation) as at the Latest Practicable Date.

4. Trading in the Shares was suspended from 22 November 2011 to 5 January 2012.

5. Trading in the Shares was resumed on 6 January 2012 and was suspended since 7 January 2012.

As revealed from the above table, total trading volume of the Shares in the month/period was in the range of 1.01% and 44.26% of the Public Shares during the Review Period. The largest daily trading during the Review Period were 91,964,000 Shares recorded on 11 July 2011, representing approximately 9.91% and 20.69% of the total issued share capital and the Public Shares respectively. According to the management of the Company, they were not aware of any reasons for such increases in trading volume of the Shares. During the Review Period, there were only 14 days with no trading volume for the Shares and the minimum daily trading volume was 4,000 Shares recorded on certain days.

Based on the average daily trading volume of the Shares during the Review Period, we are of the opinion that there may be sufficient liquidity for the Independent Shareholders to sell their Shares in the market without accepting the Share Offer. However, Independent Shareholders who wish to realize part or all of their investments in the Company in the market should note that there is uncertainty as to whether they can sell their Shares in the market within a short period of time without exerting a significant downward pressure on the Share prices.

4. Net asset value of the Shares

The following table set out the pro forma net asset value of the Company and the pro forma net asset value per Share before and after full conversion of the Convertible Notes.

	Total equity attributable to owners of the Company	**Net asset value per Share assuming none of the Convertible Notes are converted** *(Note 1)*	**Net asset value per Share assuming all the Convertible Notes are converted** *(Note 2)*
	(approximate RMB)	*(approximate RMB)*	*(approximate RMB)*
As at 31 December 2010 (audited)	358,690,000	0.39 (approximately HK$0.48)	0.33 (approximately HK$0.41)
Discount of the Share Offer Price to the respective net asset value per Share		74.8%	70.7%
As at 30 June 2011 (unaudited) (Note 3)	447,379,000	0.48 (approximately HK$0.59)	0.41 (approximately HK$0.50)
Discount of the Share Offer Price to the respective net asset value per Share		79.8%	76.0%

Notes:

(1) Based on the number of issued Shares of 927,563,636 as at the Latest Practicable Date

(2) 163,636,363 Shares will be issued upon full conversion of the Convertible Notes

(3) The consolidated net asset value has reflected completion of the Acquisition.

Based on the information above, the Share Offer Price represented a significant discount of (i) approximately 74.8% to the net asset value per Share of approximately HK$0.48 based on the audited consolidated equity attributable to owners of the Company as at 31 December 2010 and the number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 70.7% assuming all the Convertible Notes are converted. The Share Offer Price also represented a significant discount of (i) approximately 79.8% to the net asset value per Share of approximately HK$0.59 based on the unaudited consolidated equity attributable to owners of the Company as at 30 June 2011 and the number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 76.0% assuming all the Convertible Notes are converted. In this regard, we consider that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

5. Comparison with comparable companies

In forming our opinion on the Share Offer Price, we have also considered the commonly adopted comparable approaches in evaluation of a company by using price-to-earnings ratios and price-to-book ratios. In this regard, we have tried to identify those companies which (i) are currently listed on the Main Board or the Growth Enterprises Market of the Stock Exchange; (ii) are engaged in similar business as the Company i.e. the manufacturing and trading of steel products and have investment in port development and logistic operations; (iii) have a market capitalization of less than HK$500 million which represents about five times of the hypothetical market capitalization of the Company of approximately HK$111.4 million implied by the Share Offer Price. However, no comparable companies which meet all the above-mentioned criteria were identified by us based on our best knowledge and information. In view of the prevailing uncertainties on the Vietnam Project due to the current litigations involved and that the Company's principal income was generated from its steel business, we have also tried to identify those companies based on the above criteria except that the comparables are engaged in the manufacturing and trading of steel products and such business accounted for over 50% or their total revenue based on their latest published audited accounts. Nevertheless, no comparable companies which meet all these criteria were identified by us based on our best knowledge and information. Accordingly, we consider that the comparison of the value of the Company implied by the Share Offer Price with other companies by using the price-to-earnings approach or the price-to-book approach is not applicable.

II. THE CN OFFER

As at the Latest Practicable Date, there are outstanding Convertible Notes in the principal amount of HK$90 million, which can be converted into an aggregate of 163,636,363 Shares at HK$0.55 per Share. According to the Offer Document, the offer price under the CN Offer of HK$0.2182 for each outstanding HK$1 face value of the Convertible Notes was determined by dividing the Share Offer Price by the prevailing conversion price of the Convertible Notes of HK$0.55 per Share.

This was based on the amount of approximately HK$19.6 million to be paid by the Offeror for the maximum number of Shares i.e. 163,636,363 at the Share Offer Price should all the Convertible Notes be converted. When dividing this amount by the outstanding principal amount of HK$90 million, the value for each outstanding HK$1 face value of the Convertible Notes is HK$0.2182. We consider that the basis of the offer price for the Convertible Notes is reasonable. However, based on our analysis on the Share Offer Price which we consider to be not fair and reasonable, we consider that the offer price for the Convertible Notes is not fair and reasonable so far as the holder(s) of the Convertible Notes are concerned.

6. Intention of the Offeror

According to the Offer Document, it is the Offeror's intention to acquire a majority interest in the Company and the Offeror intends to requisition a shareholder meeting after the Offers become unconditional to seek to appoint new directors to the Board. As at the Latest Practicable Date, the Offeror did not have any proposed director to the Board.

The Offeror intends to continue the principal business of the Group, and will, following the Offers becoming unconditional, conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider expanding the Company's business and/or diversifying the business of the Group into other business with an objective to broaden its income source. The Offeror does not have intention to inject or acquire other projects or assets into the Company. The Offeror has no intention to re-deploy the employees or the assets, including fixed assets, of the Group other than in its ordinary course of business. Upon completion of the VSD, some employees may not be involved in the remaining business of the Group. Depending on different qualifications and abilities of the respective employees, the Offeror may consider if appropriate positions are available for the respective employees. The Offeror intended to continue the employment of the employees of the Group unless their employment is not relevant to the then business operation of the Group.

However, the Offeror has not given any indication as to which other business he may cause the Group to expand and/or diversify. Even if the existing businesses of the Group were to continue, he has not stated that whether the proposed new Directors have the relevant experience in managing the existing businesses of the Group. Given this and the current disputes between the Company and the Offeror, we consider that the appointment of proposed new Directors and changes in the Board may result in conflicts with the existing Board and will have an adverse impact on the business and prospects of the Group.

7. Recommendation

Despite the above-mentioned uncertainties being faced by the Company, Independent Shareholders should note that prolonged legal procedures may be required before the litigations are ruled. The outcomes of these legal claims are unpredictable and uncontrollable. In forming our opinion as to whether the terms of the Offers are fair and reasonable, we have not assessed and evaluated the possible impact of the litigations on the Company's financial position and operations due to the uncertainties of their outcomes.

As mentioned above, the Acquisition may or may not be rescinded and impairment on the value of the Vietnam Project may or may not be required. We have considered the above principal factors, in particular the followings:

(i) the Share Offer Price represents a significant discount of approximately 74.8% and 79.8% to the net asset value per Share based on the total equity attributable to owners of the Company as at 31 December 2010 and 30 June 2011 respectively;

(ii) the Share Offer Price represents the lowest closing price per Share during the Review Period;

(iii) the level of trading volume of the Shares on the Stock Exchange during the Review Period, which we consider that Independent Shareholders might be able to dispose of the Shares in the market;

(iv) the Offeror has not stated whether the proposed Directors have any relevant experience in managing the existing business of the Group;

(v) it is unclear on the Offeror's future plan and strategies on the Group's business;

(vi) the uncertainties on the development and prospect of the Group which may be caused by the proposed changes in the Board and in the business of the Group after completion of the Offer; and

(vii) the offer price for the Convertible Notes was based on the Share Offer Price which we consider is not fair and reasonable.

Based on the above, we are of the view that the Share Offer Price and the offer price for the Convertible Notes are unattractive and the terms of the Share Offer and the CN Offer are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer and the holder(s) of the Convertible Notes not to accept the CN Offer.

Independent Shareholders and holder(s) of the Convertible Notes are advised to pay attention to the Company's announcement(s) from time to time to keep updated of the status of these litigations and the VSD and recent development of the Company before making decision on the Offers.

Yours faithfully,
For and on behalf of
Shenyin Wanguo Capital (H.K.) Limited
Elaine Cheung
Director

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2008, 2009 and 2010; and (ii) the audited assets and liabilities of the Group as at 31 December 2008, 2009 and 2010; (iii) the unaudited financial results of the Group for the six months ended 30 June 2011; and (iv) the unaudited assets and liabilities of the Group as at 30 June 2011 as extracted from the published financial statements of the Group for the relevant years/period.

There were no qualifications in the auditors' report on the consolidated financial statements for each of the three financial years ended 31 December 2010 as contained in the annual reports for these respective years. The Company had no exceptional or extraordinary items nor declared any dividends for each of the three financial years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011.

Consolidated Income Statement

	For the Six months ended	Year ended 31 December		
	30 June 2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	
Continuing operations				
Turnover	245,908	546,958	427,255	667,193
Cost of sales	(221,718)	(504,690)	(385,416)	(603,338)
Gross profit	24,190	42,268	41,839	63,855
Other revenue	6,407	11,777	6,468	14,183
Other net income/(loss)	10,625	2,316	(1,061)	2,838
Valuation gain on investment property	–	–	–	36,655
Distribution costs	(4,903)	(9,901)	(7,738)	(9,155)
Administrative expenses	(21,814)	(43,369)	(35,262)	(44,408)
Other operating expenses	–	(424)	(3,286)	(18,273)
Profit from operations	14,505	2,667	960	45,695
Finance costs	(4,551)	(2,802)	(2,134)	(19,388)
Share of profit of jointly controlled entities	(4,519)	33	–	–
Profit/(Loss) before taxation	5,435	(102)	(1,174)	26,307
Income tax	(120)	(260)	(3,139)	(15,759)
Profit/(Loss) from continuing operations	5,315	(362)	(4,313)	10,548
Discontinued operation				
(Loss)/Profit from discontinued operation	(2,879)	17,322	5,584	–
Profit for the period/year	2,436	16,960	1,271	10,548

	For the Six months ended 30 June 2011	Year ended 31 December 2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	
Attributable to:				
Owners of the Company	1,554	13,739	(510)	7,222
Non-controlling interests	882	3,221	1,781	3,326
Profit for the period/year	2,436	16,960	1,271	10,548
Earnings/(loss) per share				
From continuing and discontinued operations				
Basic and diluted	RMB0.20 cents	RMB2.30 cents	(RMB0.09 cents)	RMB1.25 cents
From continuing operations				
Basic and diluted	RMB0.61 cents	(RMB0.60 cents)	(RMB1.06 cents)	RMB1.25 cents
From discontinued operation				
Basic and diluted	RMB(0.41 cents)	RMB2.90 cents	RMB0.97 cents	N/A

Consolidated Statement of Financial Position

	At 30 June 2011	At 31 December 2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	
Total assets	1,271,226	582,488	697,727	663,943
Total liabilities	(557,567)	(159,181)	(339,515)	(305,322)
NET ASSETS	713,659	423,307	358,212	358,621
Total equity attributable to owners of the Company	447,379	358,690	295,510	296,836
Non-controlling interests	266,280	64,617	62,702	61,785
TOTAL EQUITY	713,659	423,307	358,212	358,621

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2010 as extracted from the annual report of the Company for the year ended 31 December 2010:

Consolidated Income Statement
For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Continuing operations			
Turnover	4	546,958	427,255
Cost of sales		(504,690)	(385,416)
Gross profit		42,268	41,839
Other revenue	5	11,777	6,468
Other net income/(loss)	5	2,316	(1,061)
Distribution costs		(9,901)	(7,738)
Administrative expenses		(43,369)	(35,262)
Other operating expenses		(424)	(3,286)
Profit from operations		2,667	960
Finance costs	6(a)	(2,802)	(2,134)
Share of profit of jointly controlled entities	18	33	–
Loss before taxation		(102)	(1,174)
Income tax	7	(260)	(3,139)
Loss from continuing operations		(362)	(4,313)
Discontinued operation			
Profit from discontinued operation	8	17,322	5,584
Profit for the year		16,960	1,271

	Note	2010 *RMB'000*	2009 *RMB'000* (Restated)
Attributable to:			
Owners of the Company	11	13,739	(510)
Non-controlling interests		3,221	1,781
Profit for the year	6	16,960	1,271
Earnings/(loss) per share	12		
From continuing and discontinued operations			
Basic and diluted		RMB2.30 cents	(RMB0.09 cents)
From continuing operations			
Basic and diluted		(RMB0.60 cents)	(RMB1.06 cents)
From discontinued operation			
Basic and diluted		RMB2.90 cents	RMB0.97 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Profit for the year		16,960	1,271
Other comprehensive (loss)/ income for the year:			
Exchange differences on translation of financial statements of foreign operations			
– Exchange (loss)/gain arising during the year, net of nil tax *(note)*		(6,238)	527
– Reclassification adjustments relating to foreign operations disposed of during the year, net of nil tax *(note)*		239	–
		(5,999)	527
Share of other comprehensive loss of jointly controlled entities			
– Exchange loss arising during the year on translation of financial statements of foreign operations, net of nil tax *(note)*		(20)	–
Total comprehensive income for the year (net of tax)		10,941	1,798
Attributable to:			
Owners of the Company		9,026	881
Non-controlling interests		1,915	917
		10,941	1,798

Note: There is no tax effect relating to the above component of other comprehensive income/(loss).

Consolidated Statement of Financial Position
At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Fixed assets	14(a)		
– Property, plant and equipment		90,048	103,773
– Investment property		–	220,867
		90,048	324,640
Prepaid lease payments	15	11,251	9,641
Deposit for acquisition of equity interests in a company	17	63,880	–
Interests in jointly controlled entities	18	6,634	–
Loan to a jointly controlled entity	19	72,836	–
Available-for-sale financial assets	20	–	19,100
		244,649	353,381
Current assets			
Financial assets at fair value through profit or loss	21	9,448	–
Inventories	22	52,761	62,870
Trade and other receivables	23	163,417	175,355
Prepaid lease payments	15	321	266
Tax recoverable	30(a)	81	8
Pledged bank deposits	25	5,216	5,404
Deposits with bank (maturity over 3 months)	26	–	1,707
Cash and cash equivalents	27	106,595	98,736
		337,839	344,346
Current liabilities			
Bank borrowings	29	118,242	155,646
Trade and other payables	28	40,939	53,038
		159,181	208,684
Net current assets		178,658	135,662

	Note	2010 RMB'000	2009 RMB'000
Total assets less current liabilities		423,307	489,043
Non-current liabilities			
Bank borrowings	29	–	123,772
Deferred tax liabilities	30(b)	–	7,059
		–	130,831
NET ASSETS		423,307	358,212
CAPITAL AND RESERVES			
Share capital	33(c)	69,306	59,460
Share premium and reserves		289,384	236,050
Total equity attributable to owners of the Company		358,690	295,510
Non-controlling interests		64,617	62,702
TOTAL EQUITY		423,307	358,212

Statement of Financial Position
At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	14(b)	1,181	1,009
Investments in subsidiaries	16	122,517	198,909
Deposit for acquisition of equity interests in a company	17	63,880	–
Interests in a jointly controlled entity	18	6,621	–
Loan to a jointly controlled entity	19	72,836	–
		267,035	199,918
Current assets			
Deposits, prepayments and other receivables	23	8,272	187
Amount due from a subsidiary	24	2,980	5,355
Pledged bank deposits	25	5,216	5,404
Cash and cash equivalents	27	3,820	4,002
		20,288	14,948
Current liabilities			
Bank borrowings	29	–	6,866
Other payables	28	5,402	14,518
		5,402	21,384
Net current assets/(liabilities)		14,886	(6,436)
NET ASSETS		281,921	193,482
CAPITAL AND RESERVES			
Share capital	33	69,306	59,460
Share premium and reserves		212,615	134,022
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		281,921	193,482

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to owners of the Company												
	Note	Share capital RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Sub-total RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009		59,460	82,345	–	67,570	20,750	4,950	(17,375)	79,136	–	237,376	296,836	61,785	358,621
Changes in equity for 2009:														
(Loss)/profit for the year		–	–	–	–	–	–	–	(510)	–	(510)	(510)	1,781	1,271
Other comprehensive income/(loss)		–	–	–	–	–	–	1,391	–	–	1,391	1,391	(864)	527
Total comprehensive income for the year		–	–	–	–	–	–	1,391	(510)	–	881	881	917	1,798
Appropriations		–	–	–	–	(72)	–	–	72	–	–	–	–	–
Dividend declared to non–controlling shareholders		–	–	–	–	–	–	–	(2,207)	2,207	–	–	–	–
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(2,207)	(2,207)	(2,207)	–	(2,207)
Balance at 31 December 2009		59,460	82,345	–	67,570	20,678	4,950	(15,984)	76,491	–	236,050	295,510	62,702	358,212
Balance at 1 January 2010		59,460	82,345	–	67,570	20,678	4,950	(15,984)	76,491	–	236,050	295,510	62,702	358,212
Changes in equity for 2010:														
Profit for the year		–	–	–	–	–	–	–	13,739	–	13,739	13,739	3,221	16,960
Other comprehensive loss		–	–	–	–	–	–	(4,713)	–	–	(4,713)	(4,713)	(1,306)	(6,019)
Total comprehensive income for the year		–	–	–	–	–	–	(4,713)	13,739	–	9,026	9,026	1,915	10,941
Issue of warrants	33(d)(i)	–	–	985	–	–	–	–	–	–	985	985	–	985
Issue of new shares on exercise of warrants	33(d)(ii)	9,846	44,308	(985)	–	–	–	–	–	–	43,323	53,169	–	53,169
Appropriations		–	–	–	–	1,544	–	–	(1,544)	–	–	–	–	–
Realised on disposal of a subsidiary		–	–	–	–	(146)	–	–	146	–	–	–	–	–
Balance at 31 December 2010		69,306	126,653	–	67,570	22,076	4,950	(20,697)	88,832	–	289,384	358,690	64,617	423,307

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before taxation			
Continuing operations		(102)	(1,174)
Discontinued operation		11,753	4,518
Adjustments for:			
Interest income on bank deposits		(1,093)	(590)
Interest income on loan to a jointly controlled entity		(278)	–
Dividend income from unlisted securities		(711)	–
Finance costs		4,480	4,913
Depreciation		15,066	13,814
Amortisation of prepaid lease payments		278	266
Impairment loss on trade receivables		428	1,116
Reversal of impairment loss on trade receivables		(800)	(55)
Write down of inventories		5,002	421
Reversal of write down of inventories		(4,859)	(30,321)
Impairment loss on available–for-sale financial assets		–	2,288
Gain on sale of available-for-sale financial assets		(1,370)	–
Net loss on disposal of property, plant and equipment		345	918
Valuation gain on investment property		(10,543)	–
Gain on disposal of investment property		(11,630)	–
Share of profit of jointly controlled entities		(33)	–
Loss on disposal of a subsidiary attributable to discontinued operation		12,006	–
Loss on loss of control in subsidiaries		67	–
Net foreign exchange loss		1,017	311

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Changes in working capital		19,023	(3,575)
Decrease in inventories		9,966	57,005
Decrease/(increase) in trade and other receivables		12,588	(50,217)
Increase in financial assets at fair value through profit or loss		(9,448)	–
Decrease in trade and other payables		(24,708)	(179)
CASH GENERATED FROM OPERATIONS		7,421	3,034
Income tax refunded		–	1,918
Income tax paid		(346)	(1,160)
NET CASH GENERATED FROM OPERATING ACTIVITIES		7,075	3,792

	Note	2010 RMB'000	2009 RMB'000 (Restated)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		555	6
Payment for the purchase of property, plant and equipment		(6,810)	(7,985)
Proceeds from disposal of investment property		243,040	–
Proceeds from sale of available-for-sale financial assets		20,308	–
Payment of deposit for acquisition of equity interests in a company		(63,880)	–
Loan to a jointly controlled entity		(25,563)	–
Proceeds from disposal of a subsidiary attributable to discontinued operation, net of cash disposed of *(note 35(a))*		(699)	–
Net cash outflow arising on loss of control in subsidiaries *(note 35(b))*		(53,894)	–
Decrease/(increase) in deposits with bank (maturity over 3 months)		1,707	(727)
Decrease in pledged bank deposits		183	174
Interest received		1,093	590
Dividend received from investments in securities		711	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		116,751	(7,942)
FINANCING ACTIVITIES			
Proceeds from new bank borrowings		344,669	398,418
Repayment of bank borrowings		(503,727)	(363,141)
Dividend paid to non-controlling shareholders		–	(2,207)
Interest paid		(4,480)	(4,913)
Proceeds from the issue of shares		53,169	–
Proceeds from the issue of warrants		985	–

	Note	2010 RMB'000	2009 RMB'000 (Restated)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(109,384)	28,157
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,442	24,007
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27	98,736	78,393
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(6,583)	(3,664)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27	106,595	98,736

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

Mayer Holdings Limited (the "Company") is an exempted company with limited liability incorporated in Cayman Islands and its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company and its subsidiaries (together the "Group") are principally engaged in manufacturing and trading of steel pipes, steel sheets and other products made of steel and leasing of aircrafts. The operation of property investment was discontinued during the year.

The Company has its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 of Securities on the Stock Exchange ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interests in jointly controlled entities.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its major subsidiaries are Hong Kong dollars and Renminbi ("RMB") respectively. The consolidated financial statements are presented in thousands of Renminbi ("RMB'000") unless otherwise stated, which is the functional currency of a major subsidiary operated in the PRC and contributed over 90% of turnover of the Group. Therefore, the directors consider the presentation in RMB to be more useful for its current and potential investors.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment property (see note 2(f));

– financial assets at fair value through profit or loss (see note 2(e)).

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 experience 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 amounts 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 major source of estimation uncertainty are discussed in note 44.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) and (m) depending on the nature of the liability.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in a jointly controlled entity (see note 2(d)).

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010
Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (i)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2 (i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

In the Company's statement of financial position, investment in a jointly controlled entity is stated at cost less impairment losses (see note 2(i)(i)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(r)(iii) and (iv) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(i)(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(r)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(r)(iv). When these investments are derecognised or impaired (see note 2(i)(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/ sell the investments or they expire.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

(g) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– freehold land is not depreciated;

Building and factory premises	5% or over the remaining term of the lease, if shorter
Leasehold improvements	10% – 331/3% or over the remaining term of the lease, if shorter
Furniture, fixtures and office equipment	5% – 331/3%
Plant and machinery	7% – 25%
Motor vehicles	10% – 25%
Aircrafts	20% – 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost 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 residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents lands and buildings under development and property, plant and equipment under construction and pending installation and are stated at cost less accumulated impairment losses (see note 2(i)(ii)), if any. Cost includes the costs of construction of buildings, the cost of acquiring land use rights, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation and amortisation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and prepaid lease payments and depreciated and amortised in accordance with the policy as stated above.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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 (see note 2(f)).

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 2(i)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in jointly controlled entities recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– prepaid lease payments; and
– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable 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 realisable 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 recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)(i)), 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 allowance for impairment of doubtful debts (see note 2(i)(i)).

(l) 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.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) 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 profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being 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 that 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 same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other 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 economic 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 economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from sales of steel products and other goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss 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 profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Consultancy fee income

Consultancy fee income is recognised when the services are rendered.

(vi) Government subsidy

Subsidy income is recognised as revenue when there is reasonable assurance that it will be received.

(s) 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 translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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 the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(v) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combinations
HKAS 27 (revised 2008)	Consolidated and separate office equipmentfinancial statements
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement – eligible hedged items
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRS 3 (revised 2008), Business combinations

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the requirements under HKFRS 3 (revised 2008). Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Consequently, the goodwill recognised in respect of the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the recognised amount of the identifiable net assets of the acquiree.

- HKFRS 3 (revised 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments, if any, to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, with those costs being recognised as an expense in profit or loss as incurred. Previously, they were accounted for as part of the cost of the acquisition.

HKFRS 3 (revised 2008) requires that where the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying amounts of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

HKAS 27 (revised 2008), Consolidated and Separate Financial Statements

The application of HKAS 27 (amended 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (amended 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (amended 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS 27, these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

The application of the revised standard has affected the accounting for the Group's disposal of part of its interest in Glory World Development Limited ("Glory World") in the current year. The change in policy has resulted in the recognition of a loss of RMB67,000 relating to the re-measurement at fair value of the equity interest in Glory World retained by the Group as at jointly controlled entity following the Group's loss of control thereof. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of RMB34,000.

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively.

The application of the amendments to HKAS 17 has had no impact on the classification of leasehold lands and the reported profit or loss of the Group for the current and prior years.

Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK(Int) 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK(Int) 5 for the first time in the current year. HK(Int) 5 requires retrospective application.

In order to comply with the requirements set out in HK(Int) 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK(Int) 5, term loans with a repayment on demand clause are classified as current liabilities.

The application of HK(Int) 5 has had no impact on the classification of term loans and the reported profit or loss of the Group for the current and prior years.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current, provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period, notwithstanding that the entity could be required by the counterparty to settle in shares at any time.

This amendment has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

The application of the amendments to HKAS 7 has had no impact on the preparation of cash flows for the current and prior years.

Amendments to HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. TURNOVER

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010	**2009**
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Sales of goods:		
– steel pipes, steel sheets and other products made of steel	538,997	418,392
– others	–	830
	538,997	419,222
Gross rentals from leasing of aircrafts	7,961	8,033
	546,958	427,255
Discontinued operation *(note 8)*		
Gross rentals from investment property	4,261	8,330
	551,219	435,585

5. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
Other revenue						
Interest income on bank deposits	1,018	579	75	11	1,093	590
Interest income on loan to a jointly controlled entity	278	–	–	–	278	–
Total interest income on financial assets not at fair value through profit or loss	1,296	579	75	11	1,371	590
Consultancy fee income	339	356	–	–	339	356
Commission income	–	1	–	–	–	1
Government subsidy (note)	914	661	–	–	914	661
Dividend income from unlisted securities	711	–	–	–	711	–
Sales of scrap materials	7,909	4,384	–	–	7,909	4,384
Sundry income	608	487	9	351	617	838
	11,777	6,468	84	362	11,861	6,830
Other net income/(loss)						
Gain on disposal of investment property	–	–	11,630	–	11,630	–
Net realised and unrealised loss on trading securities	(169)	–	–	–	(169)	–
Gain on sale of available-for–sale financial assets	1,370	–	–	–	1,370	–
Reversal of impairment loss on trade receivables	800	55	–	–	800	55
Impairment loss on trade receivables	(428)	(1,116)	–	–	(428)	(1,116)
Net realised and unrealised gain on financial assets designated as at fair value through profit or loss	743	–	–	–	743	–
	2,316	(1,061)	11,630	–	13,946	(1,061)
	14,093	5,407	11,714	362	25,807	5,769

Note: The government subsidy mainly represents the subsidies received by the Group from the PRC government authorities during the years for compensating the costs incurred, mainly the export insurance expenses.

6. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

	Continuing operations		Discontinued operation		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
(a) Finance costs						
Interest on bank borrowings						
– wholly repayable within five years	2,764	596	183	1,757	2,947	2,353
– not wholly repayable within five years	–	1,538	1,495	1,022	1,495	2,560
Interest on amount due to ultimate holding company	38	–	–	–	38	–
Total interest expenses on financial liabilities not at fair value through profit or loss	2,802	2,134	1,678	2,779	4,480	4,913

	Continuing operations		Discontinued operation		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
(b) Staff costs (including directors' remuneration)						
Contributions to defined contribution retirement plans	2,357	2,371	–	–	2,357	2,371
Salaries, wages and other benefits	18,173	16,503	106	–	18,279	16,503
	20,530	18,874	106	–	20,636	18,874

	Continuing operations		Discontinued operation		Consolidated	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
(c) Other items						
Auditors' remuneration						
– audit services	653	660	–	–	653	660
– other services	1,220	290	–	–	1,220	290
Cost of inventories# (*note 22*)	504,690	385,416	–	–	504,690	385,416
Depreciation for property, plant and equipment	15,066	13,814	–	–	15,066	13,814
Amortisation of prepaid lease payments	278	266	–	–	278	266
Operating leases charges: minimum lease payments	1,244	966	18	24	1,262	990
Impairment loss on available-for-sale financial assets	–	2,288	–	–	–	2,288
Gross rental income from investment property less direct outgoings of RMB890,000 (2009: RMB1,321,000)*	–	–	(3,371)	(7,009)	(3,371)	(7,009)
Net foreign exchange loss	1,017	290	–	21	1,017	311
Net loss on disposal of property, plant and equipment	345	918	–	–	345	918
Loss on disposal of a subsidiary attributable to discontinued operation *(note 8)*	–	–	12,006	–	12,006	–
Loss on loss of control in subsidiaries *(note 35(b))*	67	–	–	–	67	–

Cost of inventories includes (i) RMB20,514,000 (2009: RMB15,689,000) relating to staff costs, depreciation, operating lease charges and write down of inventories; and (ii) reversal of write down of inventories of RMB4,859,000 (2009: RMB30,321,000) for the year ended 31 December 2010 which amount are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

* All the direct outgoings of RMB890,000 (2009: RMB1,321,000) are arising from investment property that generated rental income during the year.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
Current tax – Provision for the year						
– Taiwan Enterprise Income Tax	250	315	1,490	–	1,740	315
– Other jurisdictions	10	–	–	–	10	–
	260	315	1,490	–	1,750	315
Current tax – Under provision in respect of prior years						
– PRC Enterprise Income Tax	–	1,980	–	–	–	1,980
– PRC Withholding tax	–	844	–	–	–	844
	–	2,824	–	–	–	2,824
	260	3,139	1,490	–	1,750	3,139
Deferred tax *(note 30(b))*						
– Origination and reversal of temporary difference	–	–	(5,995)	–	(5,995)	–
– Attributable to a change in tax rate	–	–	(1,064)	(1,066)	(1,064)	(1,066)
	–	–	(7,059)	(1,066)	(7,059)	(1,066)
	260	3,139	(5,569)	(1,066)	(5,309)	2,073

(i) Pursuant to the rules and regulations of Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in Cayman Islands and British Virgin Islands during the year (2009: Nil).

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year (2009: Nil).

(iii) According to the Corporate Income Tax Law of the PRC and Circular 39, the tax rate of the PRC subsidiary is gradually increased from 15% to 25% over a five-year transitional period (18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter).

No PRC Enterprise Income Tax has been provided for in the financial statements as the PRC subsidiary has accumulated tax losses brought forward which exceed the estimated assessable profits for the year.

Additionally, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors.

(iv) Vietnam income tax is calculated at 25% (2009: 25%) of estimated assessable profits for the year. Vietnam Mayer Company Limited ("Vietnam Mayer") is entitled to a tax concession period in which it is fully exempted from Vietnam income tax for 3 years starting from its first profit-making year (after net off accumulated tax losses), followed by a 50% reduction in the Vietnam income tax for the next 7 years. The first profit making year of Vietnam Mayer is 2008. Accordingly, no provision for Vietnam income tax has been made as Vietnam Mayer is exempted from Vietnam income tax in 2009 and 2010.

(v) The provision for Taiwan Enterprise Income Tax for 2010 regarding the business of leasing of aircrafts and provision of consultancy service is calculated at a rate of 20% (2009: 25%) of estimated assessable profits for the year.

The provision for Taiwan Enterprise Income Tax for 2010 regarding the business of property investment is calculated at a rate of 17% (2009: 25%) of estimated assessable profits for the year.

(vi) Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

(b) Reconciliation between tax expense/(credit) and accounting profit/(loss) at applicable tax rates:

(i) Continuing operations

	2010	**2009**
	RMB'000	*RMB'000*
		(Restated)
Loss before taxation	(102)	(1,174)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	348	119
Tax effect of non-deductible expenses	1,863	2,985
Tax effect of non-taxable income	(201)	(6,426)
Tax effect of tax losses not recognised	1,533	3,958
Tax effect of profits entitled to tax exemption in Vietnam	(944)	(169)
Tax effect of utilisation of deductible temporary differences not recognised in prior years	(2,332)	–
Tax effect of share of profit of jointly controlled entities	(5)	–
Under provision in prior years	–	1,980
Others	(2)	(152)
	260	2,295
Withholding tax paid	–	844
Actual tax expense	260	3,139

(ii) Discontinued operation

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation	23,759	4,518
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	4,039	1,130
Tax effect of non-deductible expenses	511	–
Tax effect of non-taxable income	(9,155)	(485)
Tax effect of utilisation of deductible temporary differences not recognised in prior years	(28)	(645)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	(1,064)	(1,066)
Others	128	–
Actual tax credit *(note 8)*	(5,569)	(1,066)

8. DISCONTINUED OPERATION

During the year, the Group ceased its property investment operation by disposal of the investment property located in Taiwan held by Mei Kong Shih Ye Limited ("Mei Kong"), a subsidiary of the Group engaged in property investment operation, to China Life Insurance Co., Ltd. ("China Life"), an independent third party, for a net consideration of NTD1,138,899,000 (equivalent to approximately RMB243,040,000) (gross proceeds of NTD1,230,000,000 (equivalent to approximately RMB262,482,000) less related cost of disposal of NTD91,101,000 (equivalent to approximately RMB19,442,000) on 15 July 2010, and disposal of 100% equity interests in Mei Kong to Mayer Steel Pipe Corporation ("Taiwan Mayer"), the ultimate holding company of the Company, for a consideration of NTD260,474,000 (equivalent to approximately RMB55,481,000) on 27 September 2010.

The results of discontinued operation for the period from 1 January 2010 to 27 September 2010 (the date of disposal of Mei Kong) included in the consolidated income statement and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

	1/1/2010 to 27/09/2010	**1/1/2009 to 31/12/2009**
	RMB'000	*RMB'000* (Restated)
Turnover *(note 4)*	4,261	8,330
Other revenue *(note 5)*	84	362
Other net income *(note 5)*	11,630	–
Valuation gain on investment property *(note 14(a))*	10,543	–
Administrative expenses	(1,081)	(1,395)
Profit from operation	25,437	7,297
Finance costs *(note 6(a))*	(1,678)	(2,779)
Profit before taxation	23,759	4,518
Income tax *(note 7(b)(ii))*	5,569	1,066
	29,328	5,584
Loss on disposal of discontinued operation (including RMB172,000 reclassification of exchange reserve from equity to profit or loss on disposal of discontinued operation) *(note 6(c) and note 35(a))*	(12,006)	–
Income tax	–	–
Loss on disposal of discontinued operation, net of tax	(12,006)	–
Profit from discontinued operation (attributable to owners of the Company)	17,322	5,584

The net cash flows attributable to the discontinued operation for the period/year are as follows:

	1/1/2010 to 27/09/2010	**1/1/2009 to 31/12/2009**
	RMB'000	*RMB'000* (Restated)
Net cash generated from/(used in) operating activities	865	(6,276)
Net cash generated from/(used in) investing activities	230,158	(238)
Net cash (used in)/generated from financing activities	(176,937)	4,817
	54,086	(1,697)

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		Year ended 31 December 2010				
		Directors' fees	**Salaries, allowances and other benefits in kind**	**Discretionary and performance related incentive payments**	**Retirement scheme contributions**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Hsiao Ming-chih		–	87	–	–	87
Mr. Lai Yueh-hsing		–	538	–	–	538
Mr. Lo Haw	(v)	–	425	–	–	425
Mr. Lu Wen-yi		–	157	–	–	157
Mr. Chiang Jen-chin		–	261	–	–	261
Mr. Cheng Dar-terng	(iv)	–	118	–	–	118
Mr. Cheng Koon Cheung	(ii)	113	–	–	–	113
Non-executive directors						
Mr. Huang Chun-fa	(iv)	–	65	–	–	65
Mr. Chan Kin Sang	(ii)	170	–	–	–	170
Mr. Chen Guoxiang	(iii)	22	–	–	–	22
Mr. Li Deqiang	(iii)	22	–	–	–	22
Independent non-executive directors						
Mr. Lin Sheng-bin		26	–	–	–	26
Mr. Huang Jui-hsiang		26	–	–	–	26
Mr. Alvin Chiu		199	–	–	–	199
Mr. Nguyen Van Tu Peter	(ii)	71	–	–	–	71
		649	1,651	–	–	2,300

		Year ended 31 December 2009				
		Directors' fees	**Salaries, allowances and other benefits in kind**	**Discretionary and performance related incentive payments**	**Retirement scheme contributions**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Hsiao Ming-chih		–	88	–	–	88
Mr. Lai Yueh-hsing		–	528	–	–	528
Mr. Lo Haw	(v)	–	309	–	–	309
Dr. Lin Meng-chang	(i)	–	–	–	–	–
Mr. Lu Wen-yi		–	158	–	–	158
Mr. Chiang Jen-chin		–	264	–	–	264
Mr. Cheng Dar-terng	(iv)	–	159	–	–	159
Non-executive director						
Mr. Huang Chun-fa	(iv)	–	88	–	–	88
Independent non-executive directors						
Mr. Lin Sheng-bin		26	–	–	–	26
Mr. Huang Jui-hsiang		26	–	–	–	26
Mr. Alvin Chiu		201	–	–	–	201
		253	1,594	–	–	1,847

Notes:

(i) Resigned on 11 February 2009.
(ii) Appointed on 14 June 2010.
(iii) Appointed on 28 September 2010.
(iv) Resigned on 28 September 2010.
(v) Resigned on 11 March 2011.

As at 31 December 2010 and 2009, none of the directors held any share options under the Company's share option scheme. The details of the share option scheme are set out in the report of directors and note 32 to the financial statements.

For the years ended 31 December 2010 and 2009, no emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2010 and 2009.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2009: two) are directors of the Company whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2009: three) individuals are as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Salaries and other emoluments	1,269	1,340
Retirement scheme contributions	–	–
	1,269	1,340

Their emoluments are all within the band of Nil to RMB849,000 (equivalent to Nil to HK$1,000,000).

During the years ended 31 December 2010 and 2009, no emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of RMB42,650,000 (2009: RMB13,493,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

(i) From continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of RMB13,739,000 (2009: loss of RMB510,000) and the weighted average number of 596,831,000 ordinary shares (2009: 576,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	**2009**
	'000	*'000*
Issued ordinary shares at 1 January	576,000	576,000
Effect of issue of new shares on exercise of warrants *(note 33(d)(ii))*	20,831	–
Weighted average number of ordinary shares at 31 December	596,831	576,000

(ii) From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss attributable to owners of the Company of RMB3,583,000 (2009: RMB6,094,000 (restated)) and the weighted average number of 596,831,000 ordinary shares (2009: 576,000,000 ordinary shares) in issue during the year. The loss attributable to owners of the Company are calculated as follows:

	2010	**2009**
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	13,739	(510)
Less: Profit for the year attributable to owners of the Company from discontinued operation	(17,322)	(5,584)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share from continuing operations	(3,583)	(6,094)

(iii) From discontinued operation

The calculation of basic earnings per share from discontinued operation is based on the profit attributable to owners of the Company of RMB17,322,000 (2009: RMB5,584,000 (restated)) and the weighted average number of 596,831,000 ordinary shares (2009: 576,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as the potential ordinary shares outstanding for both years presented are anti-dilutive.

13. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Steel (Mainland China/Vietnam): given the importance of the steel division to the Group, the Group's steel business is segregated further into two reportable segments on a geographical basis, as the divisional managers for each of these regions report directly to the senior executive team. All two segments primarily derive their revenue from the manufacture and trading of steel pipes, steel sheets and other products made of steel. These products are manufactured in the Group's manufacturing facilities located in Mainland China and Vietnam.

- Investments: this segment invests in equity securities to generate dividend income and interest income and/or to gain from the appreciation in the investments' values in the long term.

- Aircraft: this segment leases aircrafts to generate rental income and provides consultancy services to the lessee to generate consultancy fee income. Currently, the operation of aircraft business is located entirely in Taiwan.

The operation of property investment was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 8.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include all liabilities including trade and other payables and borrowings managed directly by the segments with the exception of corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. The measure used for reporting segment profit is "EBIT" i.e. "earnings before interest and taxes".

In addition to receiving segment information concerning EBIT, management is provided with segment information concerning revenue, interest income and expenses from cash balances and borrowings managed directly by the segments, dividend income from unlisted securities, depreciation and amortisation, net realised and unrealised loss on trading securities, net realised and unrealised gain on financial assets designated as at fair value through profit or loss, net gain/loss on disposal of property, plant and equipment, gain on sale of available-for-sale financial assets, impairment loss on trade receivables, reversal of impairment loss on trade receivables, impairment loss on available-for-sale financial assets, write down of inventories, reversal of write down of inventories, share of profit of jointly controlled entities, income tax expenses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below:

	Year ended 31 December 2010				
	Steel China	Steel Vietnam	Investments	Aircraft	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue					
Revenue from external customers*	501,583	37,414	–	7,961	546,958
Reportable segment profit (EBIT)	8,384	3,700	2,754	535	15,373
Interest income	792	211	1	–	1,004
Interest expenses	2,356	328	–	–	2,684
Dividend income from unlisted securities	–	–	711	–	711
Depreciation and amortisation	9,857	1,421	–	3,800	15,078
Net realised and unrealised loss on trading securities	–	–	169	–	169
Net realised and unrealised gain on financial assets designated as at fair value through profit or loss	–	–	743	–	743
Net (gain)/loss on disposal of property, plant and equipment	(230)	575	–	–	345
Gain on sale of available-for-sale financial assets	–	–	1,370	–	1,370
Impairment loss on trade receivables	428	–	–	–	428
Reversal of impairment loss on trade receivables	800	–	–	–	800
Write down of inventories	5,002	–	–	–	5,002
Reversal of write down of inventories	4,859	–	–	–	4,859
Share of profit of jointly controlled entities	–	–	33	–	33
Income tax expenses	–	–	–	250	250
Reportable segment assets (including interests in jointly controlled entities)	351,760	41,160	16,447	17,437	426,804
Interests in jointly controlled entities	–	–	6,634	–	6,634
Additions to non-current segment assets during the year	1,717	4,615	6,621	–	12,953
Reportable segment liabilities	139,133	14,646	–	–	153,779

* There are no inter-segment sales for the year.

	Year ended 31 December 2009 (Restated)				
	Steel China *RMB'000*	Vietnam *RMB'000*	Investments *RMB'000*	Aircraft *RMB'000*	Total *RMB'000*
Reportable segment revenue					
Revenue from external customers*	402,760	15,632	–	8,863	427,255
Reportable segment profit/(loss) (EBIT)	10,267	1,064	(2,270)	2,890	11,951
Interest income	420	146	–	–	566
Interest expenses	1,846	81	–	–	1,927
Depreciation and amortisation	9,963	865	–	3,169	13,997
Net loss on disposal of property, plant and equipment	918	–	–	–	918
Impairment loss on trade receivables	1,116	–	–	–	1,116
Impairment loss on available-for–sale financial assets	–	–	2,288	–	2,288
Write down of inventories	–	421	–	–	421
Reversal of write down of inventories	28,977	1,344	–	–	30,321
Income tax expenses	2,824	–	–	315	3,139
Reportable segment assets	384,701	36,688	19,136	24,631	465,156
Additions to non-current segment assets during the year	1,527	5,368	–	–	6,895
Reportable segment liabilities	169,437	9,554	–	743	179,734

* There were no inter-segment sales for the year.

(b) Reconciliations of reportable segment revenues, profit or loss, assets, liabilities and other items

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Total reportable segment revenues	546,958	427,255
Consolidated turnover for continuing operations	546,958	427,255
Profit or loss		
Reportable segment profit derived from Group's external customers	15,373	11,951
Interest income	292	13
Other revenue and other net income	386	–
Depreciation	(266)	(83)
Finance costs	(2,802)	(2,134)
Unallocated head office and corporate expenses	(13,085)	(10,921)
Consolidated loss before taxation and discontinued operation	(102)	(1,174)
Assets		
Total reportable segment assets	426,804	465,156
Assets relating to discontinued operation	–	223,084
Unallocated head office and corporate assets		
– Loan to a jointly controlled entity	72,836	–
– Deposit for acquisition of equity interests in a company	63,880	–
– Others	18,968	9,487
Consolidated total assets	582,488	697,727
Liabilities		
Total reportable segment liabilities	153,779	179,734
Liabilities relating to discontinued operation	–	138,604
Unallocated head office and corporate liabilities	5,402	21,177
Consolidated total liabilities	159,181	339,515

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Other items		
Interest expenses		
Reportable segment total	2,684	1,927
Unallocated head office and corporate total	118	207
Consolidated total before discontinued operation	2,802	2,134
Income tax expenses		
Reportable segment total	250	3,139
Unallocated head office and corporate total	10	–
Consolidated total before discontinued operation	260	3,139
Additions to non-current segment assets during the year		
Reportable segment total	12,953	6,895
Unallocated head office and corporate total	137,207	1,090
Consolidated total	150,160	7,985

(c) Revenue from major products and services

The Group's revenue from continuing operations from its major products and services are as follows:

	2010	2009
	RMB'000	*RMB'000*
Steel products	538,997	418,392
Spare parts of aircrafts	–	830
Rental income from leasing of aircrafts	7,961	8,033
	546,958	427,255

(d) Geographic information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluded financial instruments ("specified non-current assets"). The geographical location of customers refers to the location at which the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset, in the case of fixed assets and prepaid lease payments, and the location of operations, in the case of interests in jointly controlled entities.

	Revenue from external customers		**Specified non-current assets**	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)
Mainland China (place of domicile)	460,742	400,254	68,403	76,634
Hong Kong	–	–	1,181	1,009
Taiwan	18,002	10,540	10,040	14,215
Vietnam	36,727	14,566	21,675	21,556
Other countries	31,487	1,895	6,634	–
	546,958	427,255	107,933	113,414

(e) Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Customer A – revenue from Steel China segment	56,613	36,611

14. FIXED ASSETS

(a) The Group

	Property, plant and equipment									
	Building and factory premises	Construct`ion in progress	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Aircrafts	Sub-total	Investment property	Total fixed assets
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation										
At 1 January 2009	42,367	14,792	3,751	7,550	99,408	2,181	23,230	193,279	215,589	408,868
Additions	–	6,446	–	175	274	1,090	–	7,985	–	7,985
Transfers *(note 15)*	1,018	(12,943)	–	536	9,358	–	–	(2,031)	–	(2,031)
Disposals	–	–	–	(270)	(4,059)	–	–	(4,329)	–	(4,329)
Exchange adjustments	–	(671)	–	(156)	(439)	(8)	16	(1,258)	5,278	4,020
At 31 December 2009	43,385	7,624	3,751	7,835	104,542	3,263	23,246	193,646	220,867	414,513
Representing										
Cost	43,385	7,624	3,751	7,835	104,542	3,263	23,246	193,646	–	193,646
Valuation – 2009	–	–	–	–	–	–	–	–	220,867	220,867
	43,385	7,624	3,751	7,835	104,542	3,263	23,246	193,646	220,867	414,513
At 1 January 2010	43,385	7,624	3,751	7,835	104,542	3,263	23,246	193,646	220,867	414,513
Additions	–	4,484	322	319	764	921	–	6,810	–	6,810
Transfers *(note 15)*	7,578	(11,360)	–	290	1,284	–	–	(2,208)	–	(2,208)
Disposals	–	–	–	(83)	(1,114)	(424)	–	(1,621)	(231,410)	(233,031)
Fair value adjustments *(note (c))*	–	–	–	–	–	–	–	–	10,543	10,543
Exchange adjustments	(313)	(382)	(14)	(288)	(1,118)	(64)	(766)	(2,945)	–	(2,945)
At 31 December 2010	50,650	366	4,059	8,073	104,358	3,696	22,480	193,682	–	193,682
Representing										
Cost	50,650	366	4,059	8,073	104,358	3,696	22,480	193,682	–	193,682

	Property, plant and equipment									
	Building and factory premises	Construct`ion in progress	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Aircrafts	Sub-total	Investment property	Total fixed assets
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation										
At 1 January 2009	17,991	–	1,780	3,730	49,579	580	5,860	79,520	–	79,520
Charge for the year	1,932	–	360	758	7,079	516	3,169	13,814	–	13,814
Written-back on disposals	–	–	–	(236)	(3,169)	–	–	(3,405)	–	(3,405)
Exchange adjustments	–	–	–	(17)	(40)	(1)	2	(56)	–	(56)
At 31 December 2009 and 1 January 2010	19,923	–	2,140	4,235	53,449	1,095	9,031	89,873	–	89,873
Charge for the year	2,097	–	396	750	7,363	660	3,800	15,066	–	15,066
Written back on disposals	–	–	–	(71)	(300)	(350)	–	(721)	–	(721)
Exchange adjustments	(5)	–	(6)	(54)	(114)	(13)	(392)	(584)	–	(584)
At 31 December 2010	22,015	–	2,530	4,860	60,398	1,392	12,439	103,634	–	103,634
Carrying amount										
At 31 December 2010	28,635	366	1,529	3,213	43,960	2,304	10,041	90,048	–	90,048
At 31 December 2009	23,462	7,624	1,611	3,600	51,093	2,168	14,215	103,773	220,867	324,640

(b) The Company

	Property, plant and equipment			
	Leasehold improvements *RMB'000*	**Furniture, fixtures and office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost				
At 1 January 2009	149	105	–	254
Additions	–	–	1,090	1,090
At 31 December 2009 and at 1 January 2010	149	105	1,090	1,344
Additions	322	156	–	478
Exchange adjustments	(14)	(7)	(39)	(60)
At 31 December 2010	457	254	1,051	1,762
Accumulated depreciation				
At 1 January 2009	149	103	–	252
Charge for the year	–	2	81	83
At 31 December 2009 and at 1 January 2010	149	105	81	335
Charge for the year	35	14	216	265
Exchange adjustments	(6)	(4)	(9)	(19)
At 31 December 2010	178	115	288	581
Carrying amount				
At 31 December 2010	279	139	763	1,181
At 31 December 2009	–	–	1,009	1,009

(c) Revaluation of investment property

The investment property of the Group carried at fair value was revalued as at 15 July 2010, the date of completion of disposal to China Life, on an open market value basis calculated by reference to recent market transactions in comparable properties and to net rental income allowing for reversionary income potential. The valuations were carried out by an independent surveyor, Cushman & Wakefield Valuation Advisory Services (HK) Ltd., being a Chartered valuation surveyor who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant location and category of property being valued.

(d) The analysis of carrying amount of properties is as follows:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
In the PRC:		
– medium-term leases	21,495	23,462
In Vietnam		
– medium-term leases	7,140	–
In Taiwan:		
– freehold	–	220,867
	28,635	244,329
Representing:		
Building and factory premises carried at cost	28,635	23,462
Investment property carried at fair value	–	220,867
	28,635	244,329

(e) Fixed assets leased out under operating leases

The Group leases out aircrafts (2009: investment property and aircrafts) under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Within 1 year	3,235	14,941
After 1 year but within 5 years	–	14,237
	3,235	29,178

(f) As at 31 December 2010, there are no fixed assets under pledge.

As at 31 December 2009, the Group's investment property was pledged for banking facilities granted to the Group (note 38). According to the banking facility letter, the maximum amount pledged was limited to NTD739,200,000 (equivalent to approximately RMB157,745,000).

15. PREPAID LEASE PAYMENTS

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Cost		
At 1 January	13,076	11,098
Transfer *(note 14(a))*	2,208	2,031
Exchange adjustments	(271)	(53)
At 31 December	15,013	13,076
Accumulated amortisation		
At 1 January	3,169	2,904
Charge for the year	278	266
Exchange adjustments	(6)	(1)
At 31 December	3,441	3,169
Carrying amount		
At 31 December	11,572	9,907
Analysed for reporting purpose as:		
Current assets	321	266
Non-current assets	11,251	9,641
	11,572	9,907
The Group's prepaid lease payments comprise:		
Medium term lease:		
Land in the PRC	7,750	7,972
Land in Vietnam	3,822	1,935
	11,572	9,907

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

16. INVESTMENTS IN SUBSIDIARIES

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Unlisted shares, at cost	136,686	215,569
Less: Impairment loss *(note (a))*	(14,169)	(16,660)
	122,517	198,909

Notes:

(a) Movements in the impairment loss

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	16,660	14,363
Impairment losses recognised *(note (b))*	–	2,297
Reversal of impairment loss *(note (c))*	(1,946)	–
Exchange adjustments	(545)	–
At 31 December	14,169	16,660

(b) During the year ended 31 December 2009, several subsidiaries had incurred operating losses. After reviewing the financial performance and financial position of these subsidiaries and taking into account the current market environment, the directors consider that impairment loss on the investment costs of these subsidiaries should be made. The impairment has been charged to the income statement of the Company.

(c) During the year ended 31 December 2010, the reversal of impairment loss of RMB1,946,000 is due to the improvement in the financial performance and financial position of a subsidiary in current year.

(d) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Bamian Investments Pte. Limited ("Bamian")	Singapore/ Hong Kong	16,829,670 ordinary shares of SGD1 each	100%	100%	–	Investment holding
Guangzhou Mayer * Corporation, Limited ("Guangzhou Mayer")	PRC	Registered capital RMB200,000,000	81.4%	–	81.4%	Manufacture and trading of steel pipes, steel sheets and other products made of steel
Vietnam Mayer *(note)*	Vietnam	4,000,000 ordinary shares of USD1 each	40.7%	–	50%	Manufacture and trading of steel pipes, steel sheets and other products made of steel
ROC Advance Limited ("ROC")	British Virgin Islands/ The Republic of China	1,454,000 ordinary shares of USD1 each	100%	100%	–	Leasing of aircrafts and provision of consultancy service
Sunbeam Group Limited ("Sunbeam")	British Virgin Islands/ Hong Kong	1 ordinary shares of USD1 each	100%	100%	–	Inactive
Top Force International Limited	British Virgin Islands/ Hong Kong	2,000 ordinary shares of USD1 each	100%	100%	–	Inactive
Advance Century Development Limited	British Virgin Islands/ Hong Kong	2,140,000 ordinary shares of USD1 each	100%	100%	–	Investment holding

* Registered under the laws of the PRC as a sino-foreign equity joint-venture enterprise.

Note: The Group holds 40.7% equity interests in Vietnam Mayer and nominated 3 out of 5 directors in the board of directors of Vietnam Mayer, which has the power to control the strategic financial and operating policies of Vietnam Mayer. As a result, Vietnam Mayer is accounted for as a subsidiary of the Company.

17. DEPOSIT FOR ACQUISITION OF EQUITY INTERESTS IN A COMPANY

	The Group and the Company 2010	2009
	RMB'000	*RMB'000*
At 31 December	63,880	–

On 15 October 2010, the Company entered into a memorandum of understanding ("MOU") with Make Success Limited ("Make Success"), an independent third party, in relation to a proposed acquisition of the entire issued share capital of Yield Rise Limited ("Yield Rise") at a consideration to be determined based on a valuation report to be issued by an independent valuer appointed by the Company or such other basis as agreed between the Company and Make Success.

Pursuant to the MOU, the Company shall pay Make Success a sum of HK$100,000,000 (equivalent to approximately RMB84,890,000) as deposit for the proposed acquisition. As at 31 December 2010, the Company paid a total of HK$75,250,000 (equivalent to approximately RMB63,880,000) as the deposit. The deposit is refundable without interest upon termination of the MOU or used to settle part of the consideration of the proposed acquisition under formal sale and purchase agreement.

Pursuant to the MOU, the deposit is secured by share charges on (i) the entire equity interests in Yield Rise, (ii) the 87.5% equity interests in Best Wonder Holdings Limited ("Best Wonder") and (iii) the entire equity interests in Good Wishes Investment Limited ("Good Wishes").

Yield Rise is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holding. As at 31 December 2010, Yield Rise held 87.5% equity interests in Best Wonder, which in turn held 100% equity interests in Good Wishes and Good Wishes in turn held 80% equity interests in Dan Tien Port Development Joint Venture Company Limited ("Dan Tien"). Dan Tien is a foreign invested limited liability company established in Vietnam and is principally engaged in the development of property, port and logistic business in Vietnam.

On 8 November 2010, the Company and Make Success entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Yield Rise at an aggregate consideration of HK$620,000,000 (equivalent to approximately RMB526,316,000), which will be satisfied by the Group at completion (i) as to HK$100,000,000 (equivalent to approximately RMB84,890,000) paid or to be paid as deposit under MOU; (ii) as to HK$130,000,000 (equivalent to approximately RMB110,356,000) by issue of 236,363,636 consideration shares at HK$0.55 per share; (iii) as to HK$90,000,000 (equivalent to approximately RMB76,401,000) by issue of 3-years convertible bonds, bearing interest at 5% per annum and convertible into 163,636,363 shares at a conversion price of HK$0.55 per share; and (iv) as to HK$300,000,000 (equivalent to approximately RMB254,669,000) by issue of 2-years promissory note, bearing interest at 8% per annum.

According to the sale and purchase agreement, the deposit the Company not yet paid of HK$24,750,000 (equivalent to approximately RMB21,010,000) would be paid upon completion of the acquisition as part of the consideration.

The proposed acquisition constituted, under the Listing Rules, a very substantial acquisition of the Company. The acquisition has not completed up to 28 March 2011.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group		**The Company**	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	–	6,621	–
Share of net assets	6,634	–	–	–
	6,634	–	6,621	–

Details of the Group's interests in the jointly controlled entities are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
Glory World	Incorporated	British Virgin Islands/ Hong Kong	2,000,000 ordinary shares of USD1 each	50%	50%	Investment holding
Sinowise Development Limited ("Sinowise")	Incorporated	British Virgin Islands/ Hong Kong	10,000,000 ordinary shares of USD1 each	50%	–	Trading of coal
Elternal Galaxy Limited ("Elternal Galaxy")	Incorporated	British Virgin Islands/ Hong Kong	14,000,000 ordinary shares of USD1 each	50%	–	Trading of iron
Grace Capital Group Limited ("Grace Capital")	Incorporated	Samoa	1 ordinary share of USD1 each	50%	–	Inactive

Summary consolidated financial information on jointly controlled entities – the Group's effective interest:

	2010 RMB'000	2009 RMB'000
Current assets	88,301	–
Current liabilities	(81,667)	–
Net assets	6,634	–
Income	32,994	–
Expenses	(32,961)	–
Profit for the year	33	–
Other comprehensive loss	(20)	–

Glory World, Sinowise, Elternal Galaxy and Grace Capital were originally the wholly-owned subsidiaries of the Company, with issued and paid-up capital of USD1 each. On 2 September 2010, the Company disposed 100% equity interests in Sinowise, Elternal Galaxy and Grace Capital to Glory World for an aggregate consideration of USD3 (equivalent to approximately RMB20), representing the total nominal value of the paid-up capital of the subsidiaries disposed by the Company and Glory World became the holding company of Sinowise, Elternal Galaxy and Grace Capital on the same date. Further on 15 September 2010, the Company entered into a joint venture agreement with Taiwan Mayer, pursuant to which the Company pay USD999,999 (equivalent to approximately RMB6,621,000) for subscription of 49.99% equity interests in Glory World whereas Taiwan Mayer pay USD1,000,000 (equivalent to approximately RMB6,621,000) for subscription of 50% equity interests in Glory World. The formation of the jointly controlled entity represented a deemed disposal of 50% equity interests in Glory World and its subsidiaries, Sinowise, Elternal Galaxy and Grace Capital. Accordingly, Glory World, Sinowise, Elternal Galaxy and Grace Capital became the jointly controlled entities of the Group since 15 September 2010. Particulars regarding the deemed disposal of Glory World and its subsidiaries are disclosed in note 35(b).

On 28 January 2011, the Company entered into a capital increase agreement with Taiwan Mayer, pursuant to which, the registered capital of Glory World is increased from USD2,000,000 (equivalent to approximately RMB13,242,000) to USD50,000,000 (equivalent to approximately RMB331,072,000). Particulars regarding the capital increase are disclosed in note 42(b).

19. LOAN TO A JOINTLY CONTROLLED ENTITY

	The Group and the Company	
	2010	**2009**
	RMB'000	*RMB'000*
At 31 December	72,836	–

As at 31 December 2010, the loan to a jointly controlled entity is unsecured, bearing interest at 1.5% per annum and repayable by 22 November 2011. On 28 January 2011, the Company entered into a capital increase agreement with Taiwan Mayer pursuant to which the loan of USD11,000,000 (equivalent to approximately RMB72,836,000) will be capitalised as investment in Glory World. Further details are set out in note 42(b).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Unlisted securities, at cost:		
– Club debentures *(note (c))*	1,094	1,094
– Equity securities *(note (c))*	14,135	35,098
	15,229	36,192
Less: Impairment loss *(note (a))*	(15,229)	(17,092)
	–	19,100

The above unlisted investments represent investments in unlisted equity securities and debentures issued by private entities incorporated in the PRC, Taiwan and Cayman Islands. They are measured at cost less impairment at the end of each reporting period because the quoted market price in an active market is not available and the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Notes:

(a) Movements in the impairment loss

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	17,092	14,797
Impairment loss recognised *(note (b))*	–	2,288
Written back on disposals	(1,370)	(200)
Exchange adjustments	(493)	207
At 31 December	15,229	17,092

(b) During the year ended 31 December 2009, an impairment loss of RMB2,288,000 in respect of the costs of investments was recognised as the directors had assessed that the recoverable amount was below the carrying amount of the investments by reference to latest available financial information of the investee companies and considered that the investee companies had recurring operating loss.

(c) The costs of club debentures and the unlisted equity securities were fully impaired in prior years as the management of the Company considered that the carrying amount of the investments cannot be recovered.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Trading securities:		
Listed equity securities at fair value		
– outside Hong Kong	3,705	–
Financial assets designated as at fair value through profit or loss:		
Investment fund at fair value		
– established outside Hong Kong	5,743	–
	9,448	–

The investment fund is operated by licensed financial institution in the PRC. The investment fund comprises a basket of financial assets including local bank deposits and equity securities listed in the PRC stock markets.

Fair values are determined with reference to quoted market bid prices.

22. INVENTORIES

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Raw materials	32,975	38,222
Finished goods	19,786	24,648
	52,761	62,870

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Carrying amount of inventories sold	504,547	415,316
Write down of inventories	5,002	421
Reversal of write down of inventories *(note)*	(4,859)	(30,321)
	504,690	385,416

Note: The reversal of write down of inventories arose as a result of the subsequent usage of raw materials and subsequent sale of finished goods for which a write down was made in prior year.

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and bills receivables	151,060	166,515	–	–
Less: allowance for doubtful ebts *(note (b))*	(2,088)	(2,460)	–	–
	148,972	164,055	–	–
Other receivables	7,206	785	6,674	11
Amounts due from jointly controlled entities *(note (d))*	1,140	–	1,140	–
Amount due from a related company *(note (e))*	4,393	8,557	–	–
Loans and receivables	161,711	173,397	7,814	11
Prepayments and other deposits	1,706	1,958	458	176
	163,417	175,355	8,272	187

All of the trade and other receivables (including amounts due from related companies and prepayments and other deposits) are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Trade receivables and bills receivables are net of allowance for doubtful debts of RMB2,088,000 (2009: RMB2,460,000) with the following age presented based on invoice date as of the end of the reporting period:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
0-30 days	47,323	52,416
31-60 days	44,467	40,523
61-90 days	25,426	35,775
91-180 days	31,660	35,332
Over 180 days	96	9
	148,972	164,055

Trade receivables are due within 30-180 days from the date of billing. Further details on the Group's credit policy are set out in note 34(a).

(b) Impairment of trade receivables and bills receivables

Impairment losses in respect of trade receivables and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivables directly (see note 2(i)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	2,460	1,587
Impairment loss recognised	428	1,116
Reversal of impairment loss	(800)	(55)
Uncollectible amounts written off	–	(188)
At 31 December	2,088	2,460

At 31 December 2010, the Group's trade receivables and bills receivables of RMB2,088,000 (2009: RMB2,460,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB428,000 (2009: RMB1,116,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables and bills receivables that are not impaired

The ageing analysis of trade receivables and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Neither past due nor impaired	144,474	164,055
Less than 1 month past due	3,923	–
1 to 3 months past due	448	–
More than 3 months past due	127	–
	4,498	–
	148,972	164,055

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) The amounts are unsecured, interest free and repayable on demand.

(e) The amount due from a related company amounted to RMB4,393,000 (2009: RMB8,557,000), in which Mr. Huang Chun-fa, being a director of Taiwan Mayer has beneficial interest, is unsecured, interest-free and repayable within the next twelve months from the end of the reporting period. The maximum amount outstanding during the year amounted to RMB9,278,000 (2009: RMB10,603,000).

No provision for the amount due has been made in the financial statements.

24. AMOUNT DUE FROM A SUBSIDIARY

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Amount due from a subsidiary *(note (a))*	2,980	5,355
Less: allowance for doubtful debts *(note (b))*	–	–
	2,980	5,355

Notes:

(a) The amount due from a subsidiary is unsecured, interest free and repayable on demand.

(b) Movement in the allowance for doubtful debts

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
At 1 January	–	2,833
Written off	–	(2,833)
At 31 December	–	–

25. PLEDGED BANK DEPOSITS

The amounts are pledged to secure the Group's banking facilities (see note 29). The pledged bank deposits carry fixed interest rate at 0.10% (2009: 0.10%) per annum for the year ended 31 December 2010.

26. DEPOSITS WITH BANK (MATURITY OVER 3 MONTHS)

The deposits with bank carry fixed interest rate at Nil (2009: 0.99%) per annum for the year ended 31 December 2010.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with banks	13,162	29,000	–	–
Cash at bank and on hand	93,433	69,736	3,820	4,002
Cash and cash equivalents in the statement of financial position	106,595	98,736	3,820	4,002
Cash and cash equivalents in the consolidated statement of cash flows	106,595	98,736		

Deposits with banks carry interest at market rates which range from 1% to 14% (2009: 0.81% to 10.3%) per annum for the year ended 31 December 2010.

The interest rates on the cash at bank ranged from 0.001% to 2.4% (2009: 0.01% to 1.71%) per annum for the year ended 31 December 2010.

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note (a))*	10,609	18,351	–	–
Other payables	14,687	15,005	3,798	2,080
Dividend payables	546	566	546	566
Amount due to a director *(note (b))*	1,058	1,119	1,058	1,119
Amount due to ultimate holding company *(note (c))*	10,633	11,607	–	10,753
Financial liabilities measured at amortised cost	37,533	46,648	5,402	14,518
Receipts in advance	3,406	6,390	–	–
	40,939	53,038	5,402	14,518

All of the trade and other payables (including amounts due to related parties and dividend payables and receipts in advance) are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(a) The following is an ageing analysis of trade payables presented based on invoice date as at the end of the reporting period:

	The Group	
	2010	2009
	RMB'000	*RMB'000*
0 – 30 days	10,219	17,106
31 – 60 days	139	872
61 – 90 days	–	–
91 – 180 days	–	2
181-365 days	–	114
Over 1 year	251	257
	10,609	18,351

(b) The amount is unsecured, interest free and repayable on demand.

(c) The amounts are unsecured and interest free. Out of the total balance, USD1,590,000 (equivalent to approximately RMB10,430,000) (2009: Nil) is repayable by 28 September 2011 and the remaining balance is repayable on demand.

29. BANK BORROWINGS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
– secured *(note (a))*	–	128,894	–	–
– secured *(note (b))*	33,113	47,798	–	–
– secured *(note (c))*	–	6,866	–	6,866
– unsecured *(note (d))*	85,129	90,444	–	–
– unsecured *(note (e))*	–	5,416	–	–
	118,242	279,418	–	6,866

At 31 December 2010, the bank borrowings were repayable as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	118,242	155,646	–	6,866
After 1 year but within 2 years	–	19,206	–	–
After 2 years but within 5 years	–	16,645	–	–
After 5 years	–	87,921	–	–
	–	123,772	–	–
	118,242	279,418	–	6,866

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the portion of bank borrowings due for repayment after one year which contain a repayment on demand clause and is expected to be settled within one year.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2010	2009
Effective interest rates:		
Fixed-rate borrowings	1.74% to 4%	0.28% to 2.50%
Variable-rate borrowings	–	1.96% to 12%

The Group has floating-rate borrowings which carry interest at a premium over London Interbank Offered Rate, Singapore Interbank Offered Rate or lending rate quoted by the bank.

The Group's borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD
	RMB'000
As at 31 December 2010	118,242
As at 31 December 2009	145,108

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(b). As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: Nil).

At 31 December 2010, the banking facilities amounting to RMB26,491,000 (2009: RMB27,324,000) of the Group are secured by bank deposits amounting to RMB5,216,000 (2009: RMB5,404,000) (see note 25). The banking facilities amounting to RMB43,048,000 (2009: RMB92,180,000) of the Group are guaranteed by the Company (see note 39). The total banking facilities amounting to RMB276,029,000 (2009: RMB512,866,000) were utilised to the extent of RMB103,326,000 at 31 December 2010 (2009: RMB262,886,000). The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

At 31 December 2010, the Group has the following undrawn borrowing facilities:

	2010	**2009**
	RMB'000	*RMB'000*
Variable – rate		
– expiring within one year	11,306	20,458
Fixed – rate		
– expiring within one year	161,397	229,522
	172,703	249,980

Notes:

(a) As at 31 December 2009, approximately RMB128,894,000 (equivalent to NTD604,000,000) was bearing variable interest rate at 2.5% per annum and secured by an investment property with carrying amount of approximately RMB220,867,000 and was repayable by installments up to 18 June 2024. The borrowing was fully settled after the disposal of the investment property by the Group in the year ended 31 December 2010.

(b) approximately RMB33,113,000 (equivalent to USD5,000,000) (2009: approximately RMB47,798,000 (equivalent to USD7,000,000)) is bearing fixed interest rates ranging from 1.96% to 1.97% (2009: 1.67% to 2.5%) per annum and repayable within one year and secured by guarantee given by the Company.

(c) As at 31 December 2009, approximately RMB6,866,000 (equivalent to USD1,000,000) was bearing variable interest rate at 1.96% per annum and secured by a bank deposit with carrying amount of approximately RMB5,404,000 (equivalent to approximately USD787,000) and guarantee given by the Company and certain subsidiaries.

(d) approximately RMB85,129,000 (equivalent to approximately USD12,855,000) (2009: approximately RMB90,444,000 (equivalent to approximately USD13,246,000)) is bearing fixed interest rates ranging from 1.74% to 4% (2009: 0.28% to 1.35%) per annum and repayable within one year.

(e) As at 31 December 2009, approximately RMB5,416,000 (equivalent to approximately VND14,647,884,000) was bearing variable interest rates ranging from 5.5% to 12% per annum and repayable within one year.

30. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group	
	2010	**2009**
	RMB'000	*RMB'000*
Provision for the year		
– Taiwan Enterprise Income Tax	–	1,159
Provisional tax paid		
– Taiwan Enterprise Income Tax	–	(1,167)
– Vietnam income Tax	(81)	–
	(81)	(8)

(b) Deferred tax liabilities recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment property
	RMB'000
Deferred tax arising from:	
At 1 January 2009	(7,964)
Credited to profit or loss *(note 7(a))*	1,066
Exchange adjustments	(161)
At 31 December 2009	(7,059)
At 1 January 2010	(7,059)
Credited to profit or loss *(note 7(a))*	7,059
At 31 December 2010	–

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB49,094,000 (2009: RMB52,824,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for the tax loss of RMB9,338,000 (2009: RMB18,666,000) in the PRC which is available for carry forward to set off future assessable income for a maximum period of five years, which will be expired in 2014 for the year ended 31 December 2010.

(d) Deferred tax liabilities not recognised

At 31 December 2010, deferred tax liabilities of RMB1,304,000 (2009: RMB654,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's PRC subsidiary as the Company controls the dividend policy of the subsidiary and it has been determined that it is probable that profits earned by the Group's PRC subsidiary will not be distributed in the foreseeable future.

31. PROVISIONS

	The Group		
	Provision for guarantee rental income *(Note (a))* *RMB'000*	**Provision for other guarantee** *(Note (b))* *RMB'000*	*Total* *RMB'000*
At 1 January 2010	–	–	–
Provisions made	4,163	–	4,163
Disposal of subsidiary *(note 35(a))*	(4,163)	–	(4,163)
At 31 December 2010	–	–	–

Notes:

(a) Pursuant to the terms of the disposal agreement in relation to the disposal of the investment property to China Life, Mei Kong warrants China Life that within three years commencing from the day after the point of delivery date of 15 July 2010 (the "Rent Commencement Date"), the minimum annual rental to be generated from the property shall be NTD56,100,000 (equivalent to approximately RMB12,695,000) (the "Guarantee Income") and if the actual rental income is less than the Guarantee Income, Mei Kong shall compensate the difference (the "Shortfall") to China Life. Both parties to the agreement shall calculate the annual rental income at the anniversary of each relevant year. In the event the Guarantee Income for a particular year cannot be reached, Mei Kong shall compensate the Shortfall within two months after settlement of the actual annual rental income.

Mei Kong had entered into a separate reimbursement and custodian agreement dated 12 May 2010 with a real estate agent, who also acted as the real estate agent for Mei Kong's disposal of the investment property to China Life. The agent agreed to bear the Shortfall within three years commencing from the Rent Commencement Date.

Provision is therefore made for the best estimate of the expected settlement under the disposal agreement. The amount of provision takes into account the estimated difference of NTD19,545,000 (equivalent to approximately RMB4,163,000) according to a rental income valuation report prepared by an independent valuer. A separate asset is recognised for any expected reimbursement pursuant to the reimbursement and custodian agreement that would be virtually certain if a claim were to be made. As at the date of disposal of Mei Kong, RMB4,163,000 is included in other receivables in current assets in respect of such expected reimbursements (see note 35(a)).

(b) Pursuant to the terms of the disposal agreement in relation to the disposal of 100% equity interests in Mei Kong to Taiwan Mayer, the Group agreed to indemnify Taiwan Mayer (i) all costs and expenses incurred by Taiwan Mayer in connection with any claim or action commenced at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong; and (ii) any due or undue guarantee, liability or tax liability at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong.

The warranty of Guarantee Income as mentioned in note 31(a) would be a liability to be retained and borne by the Group as it is the undue guarantee incurred before the date of the disposal agreement against the Group in relation to Mei Kong.

On disposal of Mei Kong on 27 September 2010 and as at 31 December 2010, provision of RMBNil is recognised by the Group as the directors consider the estimated provision for the Shortfall amounted to NTD19,545,000 (equivalent to approximately RMB4,163,000) to be borne by Mei Kong can be fully reimbursed by the real estate agent pursuant to the reimbursement and custodian agreement entered into between Mei Kong and the real estate agent. Accordingly, Mei Kong will not suffer a loss on the guarantee and consequently the Group will not suffer a loss on the undue guarantee in relation to the Shortfall.

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which 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 of directors 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 2010, no options have been granted since the adoption of the share option scheme in 2004. 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 of directors, 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.

33. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *RMB'000*	Share premium *RMB'000*	Warrant reserve *RMB'000*	Special reserve *RMB'000*	Exchange reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Balance at 1 January 2009	59,460	82,345	–	125,211	(35,221)	(51,806)	120,529	179,989
Changes in equity for 2009:								
Total comprehensive income for the year:								
– Profit for the year	–	–	–	–	–	13,493	13,493	13,493
Balance at 31 December 2009	59,460	82,345	–	125,211	(35,221)	(38,313)	134,022	193,482
Balance at 1 January 2010	59,460	82,345	–	125,211	(35,221)	(38,313)	134,022	193,482
Changes in equity for 2010:								
Total comprehensive income for the year:								
– Profit for the year	–	–	–	–	–	42,650	42,650	42,650
– Exchange differences on translation of financial statements to presentation currency	–	–	–	–	(8,365)	–	(8,365)	(8,365)
Issue of warrants *(note 33(d)(i))*	–	–	985	–	–	–	985	985
Issue of new shares on exercise of warrants *(note 33(d)(ii))*	9,846	44,308	(985)	–	–	–	43,323	53,169
Balance at 31 December 2010	69,306	126,653	–	125,211	(43,586)	4,337	212,615	281,921

(b) Dividends

No dividend was paid, declared or proposed during both years, nor has any dividend been proposed since the end of the reporting period.

(c) Share capital

Authorised and issued share capital

	2010		2009	
	Number of shares	**RMB**	**Number of shares**	**RMB**
	'000	*'000*	*'000*	*'000*
Authorised:				
Ordinary shares of HK$0.10 each	2,000,000	195,662	2,000,000	195,662
Ordinary shares, issued and fully paid:				
At 1 January	576,000	59,460	576,000	59,460
Issue of new shares on exercise of warrants *(note 33 (d)(ii))*	115,200	9,846	–	–
At 31 December	691,200	69,306	576,000	59,460

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company' s residual assets.

(d) Warrants

	Warrant with subscription price of HK$0.54	
	Number '000	*RMB'000*
Issued during the year *(note (i))*	115,200	985
Exercised during the year *(note (ii))*	(115,200)	(985)
Balance in issue at 31 December 201	–	–

Notes:

(i) On 12 July 2010, the Company entered into a warrant subscription agreement ("Warrant Subscription Agreement") with Valley Park Global Corporation (the "Subscriber"), a company incorporated in British Virgin Islands with limited liability and an independent third party to the Group. Pursuant to the Warrant Subscription Agreement, the Company has issued 115,200,000 non-listed warrants at an issue price of HK$0.01, each of which carries the right to subscribe for one new ordinary share of the Company of HK$0.10 at the warrant exercise price of HK$0.54. The subscription rights attaching to the warrants may be exercised at any time during a period of 12 months commencing from the date immediately after the date of issue of the warrants on 12 July 2010.

(ii) On 27 October 2010, the Subscriber fully exercised the warrants to subscribe for 115,200,000 ordinary shares in the Company at a consideration of HK$62,208,000 (equivalent to approximately RMB53,169,000) of which HK$11,520,000 (equivalent to approximately RMB9,846,000) was credited to share capital and the balance of HK$50,688,000 (equivalent to approximately RMB43,323,000) was credited to the share premium account. In addition, an amount attributable to the related warrants of RMB985,000 has been transferred from the warrant reserve to the share premium account.

(e) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Acts of the Cayman Islands.

Under the Companies Acts of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Special reserve

The Group

The amount represents the paid-in capital of the Company of 1 share of HK$0.10 each and the special reserve of RMB83,570,000 arising from exchange of 1 share of the Company of HK$0.10 for the entire share capital of Bamian pursuant to the reorganisation scheme dated 12 December 2003 less distribution of final dividends of RMB12,000,000 and RMB4,000,000 for the years ended 31 December 2004 and 2005 respectively.

The Company

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

(iii) Statutory surplus reserve

The Articles of Association of Guangzhou Mayer requires the appropriation of 10% of its profit after taxation, based on its statutory audited 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 registered capital and expansion of the production and operation of Guangzhou Mayer. For the capitalisation of statutory surplus reserve into registered capital, the remaining amount of such reserve shall not be less than 25% of the registered capital.

(iv) Statutory public welfare fund

Pursuant to the PRC Company Law, Guangzhou Mayer shall make allocation from its profit after taxation at the rate of 5% to 10% to the statutory public welfare fund, based on its statutory audited accounts. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation. With effect from 1 January 2006, the appropriation is not a statutory requirement in accordance with the PRC Company Law (2006 Amendment). Guangzhou Mayer adopted the amended Company Law and no appropriation was made.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(vi) Warrant reserve

The warrant reserve represents the net proceeds received in respect of the outstanding warrants issued by the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

(f) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to owners of the Company was RMB256,201,000 (2009: RMB169,243,000).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher stakeholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and bank deposits. Total capital is calculated as total equity attributable to owners of the Company as shown in the consolidated statement of financial position plus net debt.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio below 80%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. The Group's gearing ratio at 31 December 2010 and 2009 was as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Total borrowings *(note 29)*	118,242	279,418
Less: Cash and cash equivalents and bank deposits *(note 25, 26 and 27)*	(111,811)	(105,847)
Net debt	6,431	173,571
Total equity attributable to owners of the Company	358,690	295,510
Total capital	365,121	469,081
Gearing ratio	2%	37%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit risk, liquidity risk, interest rate risk and currency risk, arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risk and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and financial assets at fair value through profit or loss. 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, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing and may be extended to selected customers depending on their trade volumes and settlement with the Group. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. At the end of the reporting period, the Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 87% (2009: 93%) of the total trade and other receivables. The Group has concentration of credit risk by customers as for 12% (2009: 9%) and 31% (2009: 32%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively at the end of the reporting period.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 39, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised banking facilities of approximately RMB172,703,000 (2009: RMB249,980,000), details of which are disclosed in note 29.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2010 Contractual undiscounted cash flow						2009 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	Carrying amount at 31/12/2010	Within 1 year or on demand	within 2 years	More than 1 year but within 5 years	More than 2 years but More than 5 years	Total	Carrying amount at 31/12/2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	118,676	–	–	–	118,676	118,242	159,443	22,252	25,256	115,188	322,139	279,418
Trade and other payables	40,939	–	–	–	40,939	40,939	53,038	–	–	–	53,038	53,038
	159,615	–	–	–	159,615	159,181	212,481	22,252	25,256	115,188	375,177	332,456
Financial guarantee issued: Maximum amount guaranteed *(note 39)*	15,185	–	–	–	15,185	–	–	–	–	–	–	–

The Company

	2010 Contractual undiscounted cash flow						2009 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	Carrying amount at 31/12/2010	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	Carrying amount at 31/12/2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
銀行借貸	–	–	–	–	–	–	6,900	–	–	–	6,900	6,866
其他應付款項	5,402	–	–	–	5,402	5,402	14,518	–	–	–	14,518	14,518
	5,402	–	–	–	5,402	5,402	21,418	–	–	–	21,418	21,384
Financial guarantee issued: Maximum amount guaranteed *(note 39)*	48,298	–	–	–	48,298	–	47,798	–	–	–	47,798	–

The amounts included above for financial guarantee contracts existing as at 31 December 2010 are the maximum amounts the Group and the Company could be called if that amount is claimed by the counterparty to the guarantee. Based on expectations as at 31 December 2010, the Group and the Company considered that it is more likely than not that no amount will be payable under the arrangement. This estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) 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 currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and bank deposits carrying fixed interest rates and cash flow interest rate risk in relation to variable-rate borrowings (see note 29 for details of these borrowings) and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates (see note 25, 26 and 27 for details of these deposits).

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-bearing financial assets and interest-bearing financial liabilities at the end of the reporting period:

	The Group				**The Company**			
	2010		**2009**		**2010**		**2009**	
	Effective interest rate		**Effective interest rate**		**Effective interest rate**		**Effective interest rate**	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Assets								
Fixed rate financial asset								
Loan to a jointly controlled entity	1.5%	72,836		–	1.5%	72,836		–
Variable rate financial asset								
Bank balances and deposits	0.001% – 14%	111,675	0.01% – 10.3%	101,864	0.001% – 0.1%	9,034	0.01%	5,696
Total financial assets		184,511		101,864		81,870		5,696
Liabilities								
Fixed rate borrowings								
Bank borrowings	1.74% – 4%	118,242	0.28% – 2.5%	138,242		–		–
Variable rate borrowings								
Bank borrowings		–	1.96% – 12%	141,176		–	1.96%	6,866
Total borrowings		118,242		279,418		–		6,866
Fixed rate borrowings as a percentage of total borrowings		100%		49.47%		–		–

(ii) Sensitivity analysis

All of the bank loans and bank deposits of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates for variable rate bank balances and deposits and bank borrowings, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB368,000 (2009: decreased/increased by approximately RMB276,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, New Taiwan dollars, Hong Kong dollars and Renminbi.

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 denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2010			
	United States dollars	**New Taiwan dollars**	**Hong Kong dollars**	**Renminbi**
	'000	*'000*	*'000*	*'000*
Loan to a jointly controlled entity	11,000	–	–	–
Trade and other receivables	15,379	5,195	21,824	5
Pledged bank deposits	788	–	–	–
Cash and cash equivalents	5,104	–	4,985	–
Bank borrowings	(17,855)	–	–	–
Trade and other payables	(3,040)	(550)	(1)	–
Overall net exposure arising from recognised assets and liabilities	11,376	4,645	26,808	5

	2009			
	United States dollars	**New Taiwan dollars**	**Hong Kong dollars**	**Renminbi**
	'000	*'000*	*'000*	*'000*
Trade and other receivables	16,883	13,195	16,625	5
Pledged bank deposits	787	–	–	–
Cash and cash equivalents	6,690	–	5,977	1
Bank borrowings	(21,246)	–	–	–
Trade and other payables	(3,047)	(79)	(96)	–
Overall net exposure arising from recognised assets and liabilities	67	13,116	22,506	6

The Company

	2010		
	United States dollars	**New Taiwan dollars**	**Renminbi**
	'000	*'000*	*'000*
Loan to a jointly controlled entity	11,000	–	–
Other receivables	1,492	–	5
Pledged bank deposits	788	–	–
Cash and cash equivalents	204	–	–
Overall net exposure arising from recognised assets and liabilities	13,484	–	5

	2009		
	United States dollars	**New Taiwan dollars**	**Renminbi**
	'000	*'000*	*'000*
Other receivables	1	–	5
Pledged bank deposits	787	–	–
Cash and cash equivalents	397	–	1
Bank borrowings	(1,000)	–	–
Other payables	(1,566)	(50)	–
Overall net exposure arising from recognised assets and liabilities	(1,381)	(50)	6

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2010		**2009**	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *RMB'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*
United States dollars	5%/(5%)	(444)/444	5%/(5%)	13/(13)
New Taiwan dollars	5%/(5%)	38/(38)	5%/(5%)	112/(112)
Hong Kong dollars	5%/(5%)	860/(860)	5%/(5%)	793/(793)
Renminbi	5%/(5%)	–/–	5%/(5%)	–/–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss (see note 21).

The Group's listed investments are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of other industry indicators, as well as the Group's liquidity needs.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2010, it is estimated that an increase/(decrease) of 10% (2009: n/a) in the relevant stock price with all other variables held constant, would have increase/decrease the Group's profit after tax (and retained profits) as follows:

The Group

		2010 Effect on profit after tax and retained profits		**2009** Effect on profit after tax and retained profits
		RMB'000		*RMB'000*
Changes in the relevant stock price				
Increase	10%	719	10%	n/a
Decrease	(10)%	(719)	(10)%	n/a

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the changes in the stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2009.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group		**The Company**	
	2010	**2009**	**2010**	**2009**
	Level 1	**Level 1**	**Level 1**	**Level 1**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss	9,448	–	–	–

(ii) Fair values of financial instruments carried at other than fair value

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables and bank borrowings are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities

Fair value for quoted equity investments is based on quoted market prices at the end of the reporting period.

(ii) Interest-bearing bank borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services when such information is obtainable or is otherwise estimated by reference to interest rate differentials. Where reliable estimates of such information can be made, the latter is arrived at by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged had the guarantees not been available.

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary attributable to discontinued operation

For the year ended 31 December 2010

As explained in note 8, the Group disposed its entire 100% equity interests in Mei Kong, which carried out property investment operation, on 27 September 2010 for a consideration of NTD260,474,000 (equivalent to approximately RMB55,481,000). The net assets of Mei Kong at the date of disposal were as follows:

Consideration received

	2010	**2009**
	RMB'000	*RMB'000*
Consideration received in cash and cash equivalents	55,481	–
Total consideration received	55,481	–

Analysis of asset and liabilities over which control was lost

	As at 27/9/2010
	RMB'000
Current assets	
Cash and cash equivalents	56,180
Pledged bank deposits	5
Other receivables *(note 31(a))*	4,163
Amount due from intermediate holding company	12,780
Current liabilities	
Other payables and accruals	(171)
Provision for guarantee rental income *(note 31(a))*	(4,163)
Current taxation	(1,479)
Net assets disposed of	67,315

Loss on disposal of a subsidiary

	2010
	RMB'000
Consideration received	55,481
Net assets disposed of	(67,315)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(172)
Loss on disposal	(12,006)

The loss on disposal is included in the profit from discontinued operation in the consolidated income statement (see note 8).

Net cash outflow on disposal of a subsidiary

	2010	**2009**
	RMB'000	*RMB'000*
Consideration received in cash and cash equivalents	55,481	–
Less: cash and cash equivalent balances disposed of	(56,180)	–
	(699)	–

The impact of Mei Kong on the Group's results and cash flows in the current and prior years has been disclosed in note 8.

(b) Disposal of subsidiaries – Deemed disposal of interests in subsidiaries – Glory World and its subsidiaries

For the year ended 31 December 2010

As explained in note 18, on 15 September 2010, the Company lost effective control over Glory World, a then jointly controlled entity of the Company, upon the Company entered into a joint venture agreement ("JV Agreement") with Taiwan Mayer. Pursuant to the JV Agreement, the Company pay USD999,999 (equivalent to approximately RMB6,621,000) for subscription of 49.99% equity interests in Glory World whereas Taiwan Mayer pay USD1,000,000 (equivalent to approximately RMB6,621,000) for subscription of 50% equity interests in Glory World.

Upon completion of the above transaction on 15 September 2010, the Group's interests in Glory World was diluted from 100% to 50%. Accordingly, Glory World and its subsidiaries ceased to be subsidiaries and became jointly controlled entities of the Group. The Group has adopted equity accounting in respect of its interests in Glory World thereafter.

Consideration received

	2010	**2009**
	RMB'000	*RMB'000*
Fair value of 50% equity interests in Glory World retained by the Group	6,621	–
Total consideration received	6,621	–

Analysis of assets and liabilities over which control was lost

	As at 15/9/2010
	RMB'000
Current assets	
Cash and cash equivalents	47,273
Current liabilities	
Amount due to immediate holding company	(47,273)
Net assets disposed of	–

Loss on loss of control in subsidiaries

	Year ended 31/12/2010 *RMB'000*
Consideration received	6,621
Net assets disposed of	–
Additional investment made by the Group by cash to maintain 50% equity interests in Glory World	(6,621)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control in subsidiaries	(67)
Loss on loss of control in subsidiaries	(67)

The loss on loss of control in subsidiaries is included in the other operating expenses in the consolidated income statement.

Net cash outflow arising on loss of control in subsidiaries

	2010 *RMB'000*	**2009** *RMB'000*
Additional investment made by the Group by cash to maintain 50% equity interests in Glory World	(6,621)	–
Cash and cash equivalent balances disposed of	(47,273)	–
	(53,894)	–

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following material related party transactions which were carried out in the normal course of the Group's business:

(i) ROC, a wholly-owned subsidiary of the Company, entered into an aircraft lease agreement with Daily Air Corporation ("Daily Air"), a related company in which Mr. Huang Chun-fa, a former non-executive director of the Company and currently a director of Taiwan Mayer, has beneficial interest, regarding the leasing of four aircrafts and the provision of consultancy services, including provision of qualified and experienced pilot and technician, 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, ranged from USD23,000 to USD26,000 per month per aircraft, and consultancy fee income, based on the actual cost of provision of consultancy services and limited to USD20,000 per month. On 6 May 2008, the lease agreement was extended to 7 July 2011 with rental income and consultancy fee income remain unchanged. At the end of the reporting period, RMB4,393,000 (2009: RMB8,557,000) is due from this related company which is unsecured, interest free and repayable within the next twelve months from the end of the reporting period (note 23(e)). The amounts of transactions during the year are disclosed in (vi) below.

(ii) On 13 April 2007, Guangzhou Mayer, a 81.4% indirectly owned subsidiary of the Company, entered into a raw material purchase agreement with Taiwan Mayer for the acquisition of raw materials from Taiwan Mayer for the period commencing from 1 April 2007 to 31 March 2010. The maximum amounts of raw material purchase for the three years ended 31 March 2008, 2009 and 2010 were in the amounts of USD3,900,000 (equivalent to approximately RMB30,100,000), USD4,300,000 (equivalent to approximately RMB33,200,000) and USD4,700,000 (equivalent to approximately RMB36,300,000), respectively.

On 22 May 2009, Guangzhou Mayer entered into a revised raw material purchase agreement with Taiwan Mayer for the period commencing from 1 July 2009 to 31 December 2011. The maximum amount of raw material purchase for the six months ended 31 December 2009 was of USD1,560,000 (equivalent to approximately RMB10,723,000), and the two years ending 31 December 2010 and 2011 will be in the amounts of approximately USD2,340,000 (equivalent to approximately RMB16,080,000) per annum. The amounts of transactions during the year are disclosed in (vi) below.

On the same date, Guangzhou Mayer entered into a finished goods sales agreement with Taiwan Mayer for the sales of finished goods to Taiwan Mayer for the period commencing from 1 July 2009 to 31 December 2011. The maximum amount of finished goods sales for the six months ended 31 December 2009 was of USD1,837,000 (equivalent to approximately RMB12,626,000) and the two years ending 31 December 2010 and 2011 will be in the amounts of approximately USD3,675,000 (equivalent to approximately RMB25,261,000) and USD5,512,000 (equivalent to approximately RMB37,878,000), respectively. The amounts of transactions during the year are disclosed in (vi) below.

(iii) On 13 August 2010, the Group entered into a disposal agreement with Taiwan Mayer in relation to the disposal of the Group's 100% equity interests in Mei Kong to Taiwan Mayer at a consideration of NTD260,474,000 (equivalent to approximately RMB55,481,000). On 27 September 2010, the registration procedures on the transfer of shares were completed and a loss on disposal of the subsidiary of RMB12,006,000 was recorded by the Group (see note 35(a)).

Pursuant to the terms of the disposal agreement with Taiwan Mayer, the Group agreed to indemnify Taiwan Mayer (i) all costs and expenses incurred by Taiwan Mayer in connection with any claim or action commenced at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong; and (ii) any due or undue guarantee, liability or tax liability at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong. The warranty of Guarantee Income (as detailed in note 31(a)) would be a liability to be retained and borne by the Group as it is the undue guarantee incurred before the date of disposal agreement against the Group in relation to Mei Kong. Provision of RMBNil is recognised by the Group as at 31 December 2010 (see note 31(b)).

(iv) On 15 September 2010, the Company entered into the JV Agreement with Taiwan Mayer, pursuant to which the Company pay USD999,999 (equivalent to approximately RMB6,621,000) for subscription of 49.99% equity interests in Glory World whereas Taiwan Mayer pay USD1,000,000 (equivalent to approximately RMB6,621,000) for subscription of 50% equity interests in Glory World. The formation of the jointly controlled entity represented a deemed disposal of 50% equity interests in Glory World and its subsidiaries, Sinowise, Elternal Galaxy and Grace Capital. A loss on deemed disposal of the subsidiaries of RMB67,000 was recorded by the Group (see note 35(b)).

(v) The Company, certain subsidiaries and jointly controlled entities executed a cross guarantee arrangement to a bank in respect of banking facilities of RMB26,491,000 (2009: RMBNil) granted to the Group and the jointly controlled entities. In addition, the Company pledged a bank deposit of RMB5,216,000 (equivalent to USD788,000) to the bank to secure the banking facilities (see note 25). Under the guarantee, the Group and the jointly controlled entities are jointly and severally liable for all and any of the borrowings from the bank which is the beneficiary of the cross guarantee (see note 39).

(vi) The Group also entered into the following material related party transactions during the year:

Name of related party	Nature of relationship	Nature of transaction	Note	Amounts of transactions 2010 RMB'000	2009 RMB'000
Lo Haw and his spouse	Family member of director of the Company	Rental paid	(i)	120	120
Daily Air	Under control of a director of ultimate holding company of the Company	Rental income	(ii)	(7,961)	(8,033)
		Consultancy fee income	(ii)	(339)	(356)
		Consumable stock sales	(ii)	–	(830)
Taiwan Mayer	Ultimate holding company	Rental paid	(i)	18	24
		Purchases of raw materials	(ii)	–	5,474
		Sales of finished goods	(ii)	(1,010)	(1,578)
		Interest expenses	(iii)	38	–
Glory World	Jointly controlled entity of the Company	Interest income	(iii)	(278)	–

Notes:

(i) The rentals which were paid for premises owned by Mr. Lo Haw, an executive director of the Company, and his spouse and Taiwan Mayer were determined with reference to the prevailing market rental.

(ii) Mutually agreed by the parties concerned.

(iii) Interest bearing at 1.5% per annum.

(vii) Amounts due from/(to) related parties:

	The Group 2010 RMB'000	2009 RMB'000	The Company 2010 RMB'000	2009 RMB'000
Amount due from a related company *(note 23(e))*	4,393	8,557	–	–
Amount due to a director *(note 28(b))*	(1,058)	(1,119)	(1,058)	(1,119)
Loan to a jointly controlled entity *(note 19)*	72,836	–	72,836	–
Amounts due from jointly controlled entities *(note 23(d))*	1,140	–	1,140	–
Amount due to ultimate holding company *(note 28(c))*	(10,633)	(11,607)	–	(10,753)
Amount due from a subsidiary *(note 24)*	–	–	2,980	5,356

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	4,014	3,478
Retirement scheme contributions	16	16
	4,030	3,494

Total remuneration is included in "staff costs" (see note 6(b)).

37. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group		**The Company**	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for				
– Acquisition of property, plant and equipment	167	3,722	–	–

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		**The Company**	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,604	602	1,505	410
After 1 year but within 5 years	2,382	99	2,382	–
	3,986	701	3,887	410

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

38. PLEDGE OF ASSETS

At 31 December 2010, the following assets are pledged to banks for the banking facilities and loans granted to the Group and the Company and the Group's jointly controlled entities.

		The Group		The Company	
		2010	**2009**	**2010**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investment property	14(f)	–	157,745	–	–
Pledged bank deposits	25	5,216	5,404	5,216	5,404
		5,216	163,149	5,216	5,404

39. FINANCIAL GUARANTEE

During the current and prior years, the Company has given corporate guarantees to certain banks in connection with banking facilities of RMB43,048,000 (2009: RMB92,180,000) granted by the banks to the subsidiaries. At 31 December 2010, the facilities drawn down by the subsidiaries were RMB33,113,000 (2009: RMB47,798,000).

The Company is one of the entities covered by a cross guarantee arrangement executed by the Company, its subsidiaries and jointly controlled entities to a bank in respect of banking facilities of RMB26,491,000 (2009: RMBNil) granted to the Group and the jointly controlled entities. Under the cross guarantee, the Group and the jointly controlled entities are jointly and severally liable for all and any of the borrowings from the bank which is the beneficiary of the cross guarantee.

The maximum liability of the Company at the end of the reporting period under the corporate guarantees issued represents the amount of the facilities drawn down by the subsidiaries of RMB33,113,000 (2009: RMB47,798,000). The maximum liability of the Group and of the Company at the end of the reporting period under the cross guarantee issued represents the amount of the facilities drawn down by the jointly controlled entity of RMB15,185,000 (2009: RMBNil). No recognition was made because the fair value of the guarantees was insignificant and that the directors did not consider it probable that a claim would be made against the Group and the Company under the guarantees.

40. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

Pursuant to the relevant labour rules and regulations in the PRC and Vietnam, the Group participates in defined contribution retirement schemes governed by the relevant local government authorities in which they operate. The Company's subsidiaries in the PRC and Vietnam are required to make monthly contributions to the retirement schemes up to the time of retirement of the eligible employees, at a rate of 12% and 21% of the local standard basic salaries respectively. The local government authorities are responsible for the pension liabilities to these retired employees.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

As of 31 December 2010, the Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

41. MAJOR NON-CASH TRANSACTIONS

(a) Proposed acquisition of Maxipetrol Hong Kong Limited

On 26 November 2009, the Company entered into a sale and purchase agreement with various vendors which are third parties independent of the Company and of the Group. Pursuant to the agreement, the vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase 1,000 shares of Maxipetrol Hong Kong Limited ("Maxipetrol HK"), representing the entire issued share capital of Maxipetrol HK at an aggregate consideration of HK$1,264,000,000 (equivalent to approximately RMB1,112,699,000) which will be satisfied by the Group at completion (i) as to HK$400,000,000 (equivalent to approximately RMB352,120,000) by the issue of 3-years promissory notes; (ii) as to HK$600,000,000 (equivalent to approximately RMB528,180,000) by the issue of 5-years convertible notes, bearing interest at a rate of 1% per annum; and (iii) as to HK$264,000,000 (equivalent to approximately RMB232,399,000) by the issue of 8-years convertible notes, bearing interest at a rate of 2% per annum. Maxipetrol HK will be principally engaged in petroleum production in Argentina. On the same date, the board of directors also proposed to increase the Company's authorised share capital from HK$200,000,000 (equivalent to approximately RMB195,662,000) divided into 2,000,000,000 ordinary shares to HK$300,000,000 (equivalent to approximately RMB283,692,000) divided into 3,000,000,000 ordinary shares by the creation of an additional 1,000,000,000 unissued ordinary shares.

The acquisition constituted, under the Listing Rules, a very substantial acquisition of the Company.

On 31 December 2010, being the long stop date for fulfillment of the conditions precedent of the sale and purchase agreement, the directors of the Company decided not to extend the long stop date and to terminate the acquisition due to certain conditions precedent of the sale and purchase agreement had not been fulfilled or waived on 31 December 2010. Accordingly, the sale and purchase agreement became null and void and the Company's obligations to purchase the shares in Maxipetrol HK lapsed on 31 December 2010.

(b) Disposal of Vietnam Mayer

On 21 January 2010, Guangzhou Mayer entered into a sale and purchase agreement with purchaser which is Taiwan Mayer. Pursuant to the agreement, Guangzhou Mayer has agreed to sell and the purchaser has agreed to purchase 2,000,000 shares of Vietnam Mayer, representing the Group's all effective interest in Vietnam Mayer, at an aggregate consideration of USD2,100,000 (equivalent to approximately RMB13,864,000), which will be satisfied in cash.

The disposal constituted, under the Listing Rules, a discloseable and connected transaction of the Company. The disposal had been approved in the extraordinary general meeting of the independent shareholders held on 25 March 2010. As at 31 December 2010, the directors of the Company consider Vietnam Mayer is not immediately available for sale until obtain approval from the relevant government authorities and the disposal has not completed up to 28 March 2011 due to the processing of relevant transfer and registration procedures by the Group.

42. EVENTS AFTER THE REPORTING PERIOD

Other then those disclosed elsewhere in the financial statements, the Group have the following significant events after the end of the reporting period that need to be disclosed:

(a) Deemed disposal of Vietnam Mayer

On 5 November 2010, Guangzhou Mayer entered into an agreement with Taiwan Mayer, a shareholder who holds 30% equity interests in Vietnam Mayer, and Winner Industrial Corporation ("Winner Industrial"), a shareholder who holds 20% equity interests in Vietnam Mayer, in relation to the increase in charter capital of USD2,700,000 (equivalent to approximately RMB17,825,000) in Vietnam Mayer ("VM Capital Increase") from USD4,000,000 (equivalent to approximately RMB26,408,000) to USD6,700,000 (equivalent to approximately RMB44,233,000). Pursuant to the agreement, the whole amount of VM Capital Increase will be contributed in form of cash by Taiwan Mayer only.

In the meanwhile, Winner Industrial will dispose the entire 20% equity interests in Vietnam Mayer to Taiwan Mayer according to the sale and purchase agreement entered into by Winner Industrial and Taiwan Mayer on 14 October 2010. Upon completion of the share transfer from Winner Industrial to Taiwan Mayer and the VM Capital Increase, the equity interests in Vietnam Mayer held by Guangzhou Mayer will be decreased from 50% to 29.85% and the Group's effective interest in Vietnam Mayer will be decreased from 40.7% to 24.3% and Taiwan Mayer will hold 70.15% equity interests in Vietnam Mayer. Consequently, the Group will lose control in the board of directors of Vietnam Mayer and hence lose the power to control the strategic financial and operating policies of Vietnam Mayer. As a result, Vietnam Mayer will cease to be a subsidiary of the Company. These events constituted, under the Listing Rules, a discloseable and connected transaction of the Company and was approved in the extraordinary general meeting of the independent shareholders held on 3 December 2010. The transaction was completed subsequent to the end of the reporting period on 11 February 2011.

Upon completion, the assets, liabilities and the non-controlling interests in Vietnam Mayer would be derecognised whereas the 24.3% equity interests retained in Vietnam Mayer would be recognised as available-for-sale financial assets as the directors of the Company consider Vietnam Mayer will be controlled by Taiwan Mayer and the Group is unable to exercise significant influence over Vietnam Mayer, with the resulting difference recognised as a gain or loss in profit or loss by the Group.

Because the deemed disposal of Vietnam Mayer was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the deemed disposal.

(b) Capital increase in a jointly controlled entity

On 28 January 2011, the Company entered into a capital increase agreement (the "Capital Increase Agreement") with Taiwan Mayer pursuant to which the share capital of Glory World is increased from US$2,000,000 (equivalent to approximately RMB13,242,000) to US$50,000,000 (equivalent to approximately RMB331,072,000). Pursuant to the Capital Increase Agreement, the Company and Taiwan Mayer agree to make further capital contribution on a non pro-rata basis of US$19,000,000 (equivalent to approximately RMB125,808,000) and of US$29,000,000 (equivalent to RMB192,022,000) respectively. The consideration to be paid by the Company will be satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000); and (ii) the balance of US$8,000,000 (equivalent to approximately RMB52,972,000) in cash by 31 December 2012. The consideration to be paid by Taiwan Mayer will be satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000); and (ii) the balance of US$18,000,000 (equivalent to approximately RMB119,186,000) in cash by 31 December 2012. Upon completion of the capital injection, the Company's equity interest in the jointly controlled entity will be decreased from 50% to 40% and the remaining 60% will be owned by Taiwan Mayer. Pursuant to the Capital Increase Agreement, Glory World will be still under the joint control by the Company and Taiwan Mayer after the capital increase.

The capital injection constituted, under the Listing Rules, a major and connected transaction of the Company and is subject to the approval in the extraordinary general meeting of the independent shareholders to be held on 31 March 2011.

43. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2010, the directors consider the parent and ultimate controlling party of the Group to be Taiwan Mayer, which incorporated in the Republic of China. Taiwan Mayer produces financial statements available for public use.

44. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

(i) Fair values of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, available-for-sale financial assets) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. 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.

(ii) Useful lives and residual values of property, plant and equipment

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will derecognise or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residue lives and therefore depreciation expense in future periods.

The carrying amount of property, plant and equipment as at 31 December 2010 was RMB90,048,000 (2009: RMB103,773,000). Details of the property, plant and equipment are set out in note 14.

(iii) Impairment of property, plant and equipment and land lease prepayments

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

The carrying amount of property, plant and equipment as at 31 December 2010 was RMB90,048,000 (2009: RMB103,773,000). Details of the property, plant and equipment are set out in note 14.

(iv) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade receivables and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade receivables and other receivables balances, the credit worthiness and the past collection history of each individual customer, and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

The carrying amount of receivables as at 31 December 2010 was RMB161,711,000 (2009: RMB173,397,000). Details of the impairment of receivables are set out in note 23.

(v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling and distribution costs. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

The carrying amount of inventories as at 31 December 2010 was RMB52,761,000 (2009: RMB62,870,000). Details of the inventories are set out in note 22.

(vi) Incomes taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities have not been recognised in respect of the withholding income tax that would be payable on the distribution of retained profits accumulated since 1 January 2008 of the Group's subsidiary in the PRC as the Company controls the dividend policy of this subsidiary and it has been determined that it is not probable that profits will be distributed out of this subsidiary in the foreseeable future. Any changes in dividend policy may result in the recognition of the related deferred tax liabilities.

The carrying amounts of tax recoverable and deferred tax liabilities as at 31 December 2010 was RMB81,000 (2009: RMB8,000) and RMBNil (2009: RMB7,059,000) respectively. Details of the income taxes are set out in note 30.

(vii) Provision

As explained in note 31, the Group's management estimates the amount of difference between the Guarantee Income and actual rental income based on the rental income valuation report prepared by an independent valuer and takes into consideration of the reimbursements that can be received to compensate the shortfall of the Guarantee Income over the actual rental income. The Group's management will review the provision at the anniversary date of Rent Commencement Date for 3 years. In addition, the Group's management may conduct further rental income valuation in the future if they consider there are significant changes in the market that have an adverse effect on the actual rental income and revise the provision made accordingly. Any change in the provision would affect profit or loss in future years.

The carrying amount of provision as at 31 December 2010 was RMBNil (2009: RMBNil). Details of the provision are set out in note 31.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Impairment of available-for-sale financial assets

Available-for-sale financial assets are stated at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry and sector performance and financial information regarding the investee are taken into account.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010.

The Group has not early applied any of the following amendments, new and revised standards and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

  HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard may have impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of financial assets previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 do not have a significant impact as the Group currently do not have any investment property.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

46. COMPARATIVE FIGURES

Comparative information in consolidated income statement has been restated to re-present the results of the property investment operation as discontinued operation as disclosed in note 8.

3. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 June 2011 as extracted from the interim report of the Company for the six months ended 30 June 2011.

Based on the interim report of the Company for the six months ended 30 June 2011, there were no extraordinary items, exceptional items and no dividend has been paid or declared by the Company for the six months ended 30 June 2011.

Consolidated Income Statement
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	**2010**
		(Unaudited)	(Unaudited)
			(Restated)
	Note	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
Turnover	4	245,908	258,181
Cost of sales		(221,718)	(224,534)
Gross profit		24,190	33,647
Other revenue		6,407	5,331
Other net income		10,625	231
Distribution costs		(4,903)	(4,602)
Administrative expenses		(21,814)	(15,938)
Profit from operations		14,505	18,669
Finance costs	5(a)	(4,551)	(1,077)
Share of loss of jointly controlled entities		(4,519)	–
Profit before taxation		5,435	17,592
Income tax	6	(120)	(127)
Profit from continuing operations		5,315	17,465
DISCONTINUED OPERATIONS			
(Loss)/profit from discontinued operations	7	(2,879)	14,240
Profit for the period	5	2,436	31,705

		Six months ended 30 June	
		2011	**2010**
		(Unaudited)	(Unaudited)
			(Restated)
	Note	*RMB'000*	*RMB'000*
Attributable to:			
Owners of the Company		1,554	26,449
Non-controlling interests		882	5,256
Profit for the period		2,436	31,705
Earnings/(loss) per share	9		
From continuing and discontinued operations			
Basic and diluted		RMB0.20 cents	RMB4.59 cents
From continuing operations			
Basic and diluted		RMB0.61 cents	RMB2.42 cents
From discontinued operations			
Basic and diluted		RMB(0.41) cents	RMB2.17 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	**2010**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	2,436	31,705
Other comprehensive (loss)/income for the period:		
Exchange differences on translation of financial statements of foreign operations		
– Exchange loss arising during the period, net of nil tax (note)	(5,894)	(2,690)
– Reclassification adjustments relating to foreign operations disposed of during the period, net of nil tax (note)	2,218	–
	(3,676)	(2,690)
Share of other comprehensive loss of jointly controlled entities		
– Exchange loss arising during the period on translation of financial statements of foreign operations, net of nil tax (note)	(92)	–
Total comprehensive (loss)/income for the period (net of tax)	(1,332)	29,015
Attributable to:		
Owners of the Company	(1,834)	24,275
Non-controlling interests	502	4,740
Total comprehensive (loss)/income for the period	(1,332)	29,015

Note: There is no tax effect relating to the above component of other comprehensive income/(loss).

Consolidated Statement of Financial Position
At 30 June 2011

	Note	At 30 June 2011 (Unaudited) *RMB'000*	At 31 December 2010 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		67,461	89,682
Construction in progress		26,737	366
Prepaid lease payments		7,417	11,251
Intangible asset	10	547,505	–
Deposit for acquisition of equity interests in a company		–	63,880
Deposit for acquisition of property, plant and equipment		60,660	–
Interests in jointly controlled entities		73,146	6,634
Loan to a jointly controlled entity		–	72,836
Available-for-sale financial assets		11,766	–
		794,692	244,649
Current assets			
Properties under development for sale		183,703	–
Financial assets at fair value through profit or loss		5,759	9,448
Inventories		72,038	52,761
Trade and other receivables	11	161,495	163,417
Prepaid lease payments		222	321
Tax recoverable		–	81
Pledged bank deposits		10,788	5,216
Cash and cash equivalents		42,529	106,595
		476,534	337,839
Current liabilities			
Bank borrowings		125,244	118,242
Trade and other payables	12	79,642	40,939
Consideration payable for acquisition of subsidiaries		20,557	–
		225,443	159,181

	Note	At 30 June 2011 (Unaudited) RMB'000	At 31 December 2010 (Audited) RMB'000
Net current assets		251,091	178,658
Total assets less current liabilities		1,045,783	423,307
Non-current liabilities			
Convertible bonds		70,959	–
Promissory note		261,165	–
		332,124	–
NET ASSETS		713,659	423,307
CAPITAL AND RESERVES			
Share capital	13	88,872	69,306
Share premium and reserves		358,507	289,384
Total equity attributable to owners of the Company		447,379	358,690
Non-controlling interests		266,280	64,617
TOTAL EQUITY		713,659	423,307

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Exchange reserve	Convertible bonds equity reserve	Retained profits	Sub-total	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	69,306	126,653	67,570	22,076	4,950	(20,697)	–	88,832	289,384	358,690	64,617	423,307
Changes in equity for 2011:												
Profit for the period	–	–	–	–	–	–	–	1,554	1,554	1,554	882	2,436
Other comprehensive loss	–	–	–	–	–	(3,388)	–	–	(3,388)	(3,388)	(380)	(3,768)
Total comprehensive (loss)/income for the period	–	–	–	–	–	(3,388)	–	1,554	(1,834)	(1,834)	502	(1,332)
Issue of consideration shares	19,566	69,459	–	–	–	–	–	–	69,459	89,025	–	89,025
Recognition of the equity component of convertible bonds	–	–	–	–	–	–	1,498	–	1,498	1,498	–	1,498
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	214,905	214,905
Capital contribution to a non-wholly owned subsidiary from non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	17,922	17,922
Deemed disposal of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	–	(31,666)	(31,666)
Appropriations	–	–	–	1,779	–	–	–	(1,779)	–	–	–	–
Balance at 30 June 2011	88,872	196,112	67,570	23,855	4,950	(24,085)	1,498	88,607	358,507	447,379	266,280	713,659
Balance at 1 January 2010	59,460	82,345	67,570	20,678	4,950	(15,984)	–	76,491	236,050	295,510	62,702	358,212
Changes in equity for 2010:												
Profit for the period	–	–	–	–	–	–	–	26,449	26,449	26,449	5,256	31,705
Other comprehensive loss	–	–	–	–	–	(2,174)	–	–	(2,174)	(2,174)	(516)	(2,690)
Total comprehensive (loss)/income for the period	–	–	–	–	–	(2,174)	–	26,449	24,275	24,275	4,740	29,015
Appropriations	–	–	–	1,549	–	–	–	(1,549)	–	–	–	–
Balance at 30 June 2010	59,460	82,345	67,570	22,227	4,950	(18,158)	–	101,391	260,325	319,785	67,442	387,227

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	**2010**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(14,232)	53,200
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(51,372)	2,215
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	5,983	(20,245)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(59,621)	35,170
CASH AND CASH EQUIVALENTS AT 1 JANUARY	106,595	98,736
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(4,445)	(532)
CASH AND CASH EQUIVALENTS AT 30 JUNE	42,529	133,374

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 31 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in the audit report dated 28 March 2011.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Steel: this segment primarily derives revenue from the manufacture and trading of steel pipes, steel sheets and other products made of steel. These products are manufactured in the Group's manufacturing facilities located in Mainland China.

- Port and logistic business: this segment primarily derives revenue from the operations of port and relevant logistic business in Vietnam.

- Development of property: this segment conducts real estate business in Vietnam.

- Investments: this segment invests in equity securities to generate dividend income and interest income and/or to gain from the appreciation in the investments' values in the long term.

- Aircraft: this segment leases aircrafts to generate rental income and provides consultancy services to the lessee to generate consultancy fee income. Currently, the operation of aircraft business is located entirely in Taiwan.

The operation of steel business in Vietnam and property investment in Taiwan were discontinued in the current period and prior year respectively. The segment information reported does not include any amounts for the discontinued operations, which are described in more detail in note 7.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include all liabilities including trade and other payables and borrowings managed directly by the segments with the exception of corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The measure used for reporting segment profit is "EBIT" i.e. "earnings before interest and taxes".

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the periods is set out below:

	Six months ended 30 June 2011 (Unaudited)					
	Steel	Port and logistic business	Development of property	Investments	Aircraft	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue						
Revenue from external customers*	**242,063**	**–**	**–**	**–**	**3,845**	**245,908**
Reportable segment profit/(loss) (EBIT)	**11,397**	**(2,050)**	**(218)**	**6,662**	**2,013**	**17,804**

	Six months ended 30 June 2010 (Restated) (Unaudited)					
	Steel	Port and logistic business	Development of property	Investments	Aircraft	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue						
Revenue from external customers*	254,167	–	–	–	4,014	258,181
Reportable segment profit (EBIT)	19,933	–	–	780	2,122	22,835

* There are no inter-segment sales for the period.

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2011 and 31 December 2010:

	At 30 June 2011 (Unaudited)					
	Steel	**Port and logistic business**	**Development of property**	**Investments**	**Aircraft**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets (including interests in jointly controlled entities)	377,215	578,923	184,987	90,672	12,350	1,244,147
Interests in jointly controlled entities	–	–	–	73,146	–	73,146
Reportable segment liabilities	152,922	18,439	25,848	–	–	197,209

	At 31 December 2010 (Restated) (Audited)					
	Steel	**Port and logistic business**	**Development of property**	**Investments**	**Aircraft**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets (including interests in jointly controlled entities)	351,760	–	–	16,447	17,437	385,644
Interests in jointly controlled entities	–	–	–	6,634	–	6,634
Reportable segment liabilities	139,133	–	–	–	–	139,133

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June 2011 *RMB'000* (Unaudited)	Six months ended 30 June 2010 *RMB'000* (Unaudited) (Restated)
Revenue		
Total reportable segment revenues	245,908	258,181
Consolidated turnover for continuing operations	245,908	258,181
Profit or loss		
Reportable segment profit derived from Group's external customers	17,804	22,835
Interest income	290	4
Other revenue and other net loss	(537)	–
Depreciation	(181)	(108)
Finance costs	(4,551)	(1,077)
Unallocated head office and corporate expenses	(7,390)	(4,062)
Consolidated profit before taxation and discontinued operations	5,435	17,592

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited) (Restated)
Assets		
Total reportable segment assets	1,244,147	385,644
Assets relating to discontinued operations	–	41,160
Unallocated head office and corporate assets		
– Loan to a jointly controlled entity	–	72,836
– Deposit for acquisition of equity interests in a company	–	63,880
– Others	27,079	18,968
Consolidated total assets	1,271,226	582,488
Liabilities		
Total reportable segment liabilities	197,209	139,133
Liabilities relating to discontinued operations	–	14,646
Unallocated head office and corporate liabilities		
– Convertible bonds	70,959	–
– Promissory note	261,165	–
– Consideration payable for acquisition of subsidiaries	20,557	–
– Others	7,677	5,402
Consolidated total liabilities	557,567	159,181

(c) Geographic information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluded financial instruments ("specified non-current assets"). The geographical location of customers refers to the location at which the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset, in the case of fixed assets and prepaid lease payments, and the location of operations, in the case of interests in jointly controlled entities.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Audited) (Restated)
Mainland China	232,455	240,270	63,738	68,403
Hong Kong	–	–	977	1,181
Taiwan	7,333	5,024	8,015	10,040
Vietnam	–	–	576,390	–
Other countries	6,120	12,887	73,146	6,634
	245,908	258,181	722,266	86,258

4. TURNOVER

Turnover represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue in turnover during the period is as follows:

	Six months ended 30 June (Unaudited)					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
Sales of goods:						
– steel pipes, steel sheets and other products made of steel	242,063	254,167	4,647	17,713	246,710	271,880
Gross rentals from leasing of aircrafts	3,845	4,014	–	–	3,845	4,014
Gross rentals from investment property	–	–	–	3,909	–	3,909
	245,908	258,181	4,647	21,622	250,555	279,803

5. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June (Unaudited)					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
(a) Finance costs						
Interest on bank borrowings						
– wholly repayable within five years	1,650	1,047	2	253	1,652	1,300
– not wholly repayable within five years	–	–	–	1,496	–	1,496
Interest on amount due to ultimate holding company	–	30	–	–	–	30
Imputed interest on convertible bonds	729	–	–	–	729	–
Imputed interest on promissory note	2,172	–	–	–	2,172	–
Total interest expenses on financial liabilities not at fair value through profit or loss	4,551	1,077	2	1,749	4,553	2,826
(b) Staff costs (including directors' remuneration)						
Contributions to defined contribution retirement plans	1,138	718	4	–	1,142	718
Salaries, wages and other benefits	9,858	8,294	119	254	9,977	8,548
	10,996	9,012	123	254	11,119	9,266

	Six months ended 30 June (Unaudited)					
	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
(c) Other items						
Dividend income from unlisted securities	–	(717)	–	–	–	(717)
Dividend income from listed securities	(35)	–	–	–	(35)	–
Government subsidies	(147)	(443)	–	–	(147)	(443)
Auditor's remuneration – other services	622	351	–	–	622	351
Cost of inventories #	221,718	224,534	4,071	13,746	225,789	238,280
Depreciation for property, plant and equipment	6,721	6,828	163	540	6,884	7,368
Amortisation of prepaid lease payments	111	111	11	21	122	132
Amortisation of intangible asset	1,854	–	–	–	1,854	–
Net realised and unrealised loss on trading securities	85	–	–	–	85	–
Net realised and unrealised loss on financial assets designated as at fair value through profit or loss	1,723	–	–	–	1,723	–
Operating leases charges: minimum lease payments	805	364	–	27	805	391
Interest income on bank deposits	(301)	(296)	(27)	(148)	(328)	(444)
Interest income on loan to a jointly controlled entity	(287)	–	–	–	(287)	–
Impairment loss on trade receivables	513	–	–	–	513	–
Reversal of impairment loss on trade receivables	(588)	–	–	–	(588)	–
Gross rental income from investment property less direct outgoings of RMB Nil (six months ended 30 June 2010: RMB658,000)*	–	–	–	(3,251)	–	(3,251)
Net foreign exchange (gain)/ loss	591	(192)	–	197	591	5
Net (gain)/loss on disposal of property, plant and equipment	–	(231)	–	117	–	(114)
Gain on disposal of a subsidiary	(12,949)	–	–	–	(12,949)	–
Loss on loss of control in a subsidiary attributable to discontinued operations	–	–	3,271	–	3,271	–

Cost of inventories includes (i) RMB7,439,000 (six months ended 30 June 2010: RMB7,852,000) relating to staff costs, depreciation and operating lease charges; and (ii) reversal of write down of inventories of RMB4,352,000 (six months ended 30 June 2010: RMB4,536,000) for the six months ended 30 June 2011 which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

* All the direct outgoings of RMBNil (six months ended 30 June 2010: RMB658,000) are arising from investment property that generated rental income during the period.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June (Unaudited)					
	Continuing operations		Discontinued operations		Consolidated	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Current tax – Provision for the period						
– Taiwan Enterprise Income Tax	120	127	–	224	120	351
– Other jurisdictions	–	–	34	–	34	–
	120	127	34	224	154	351
Deferred tax						
– Origination and reversal of temporary difference	–	–	–	2,147	–	2,147
– Attributable to a change in tax rate	–	–	–	(1,384)	–	(1,384)
	–	–	–	763	–	763
	120	127	34	987	154	1,114

(a) Pursuant to the rules and regulations of Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in Cayman Islands and British Virgin Islands during the period (six months ended 30 June 2010: Nil).

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2010: Nil).

(c) According to the Corporate Income Tax Law of the PRC and Circular 39, the tax rate of the PRC subsidiary is gradually increased from 15% to 25% over a five-year transitional period (18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter).

No PRC Enterprise Income Tax has been provided for as the PRC subsidiary has accumulated tax losses brought forward which exceed the estimated assessable profits for the period.

Additionally, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors.

(d) Vietnam income tax is calculated at 25% (six months ended 30 June 2010: 25%) of estimated assessable profits for the period. Vietnam Mayer Company Limited ("Vietnam Mayer") is entitled to a tax concession period in which it is fully exempted from Vietnam income tax for 3 years starting from its first profit-making year (after net off accumulated tax losses), followed by a 50% reduction in the Vietnam income tax for the next 7 years. The first profit-making year of Vietnam Mayer is 2008. Accordingly, no provision for Vietnam income tax has been made as Vietnam Mayer is exempted from Vietnam income tax in 2010.

For the port and logistic business, Dan Tien Port Development Joint Venture Company Limited ("Dan Tien") is exempted from Vietnam income tax for eight years from the year of having taxable income, and the applicable tax rate thereafter is 10%. For the development of property business, the Vietnam income tax exemption is for one year and 50% reduction for the following two years. No Vietnam income tax has been provided for as Dan Tien has no assessable profits for the period.

(e) The provision for Taiwan Enterprise Income Tax for the six months ended 30 June 2011 regarding the business of leasing of aircrafts and provision of consultancy service is calculated at a rate of 20% (six months ended 30 June 2010: 20%) of estimated assessable profits for the period.

The provision for Taiwan Enterprise Income Tax for the six months ended 30 June 2010 regarding the business of property investment was calculated at a rate of 17% of estimated assessable profits for the period.

(f) Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

7. DISCONTINUED OPERATIONS

Disposal of property investment operation

During the year ended 31 December 2010, the Group ceased its property investment operation by disposal of the investment property located in Taiwan held by Mei Kong Shih Ye Limited ("Mei Kong"), a subsidiary of the Group engaged in property investment operation, to China Life Insurance Co., Ltd. ("China Life"), an independent third party, on 15 July 2010 and disposal of 100% equity interests in Mei Kong to Mayer Steel Pipe Corporation ("Taiwan Mayer"), the ultimate holding company of the Company, on 27 September 2010.

Deemed disposal of Steel – Vietnam operation

On 5 November 2010, the Group entered into an agreement with Taiwan Mayer, a shareholder who holds 30% equity interests in Vietnam Mayer, and Winner Industrial Corporation ("Winner Industrial"), a shareholder who holds 20% equity interests in Vietnam Mayer, in relation to the increase in charter capital of USD2,700,000 (equivalent to approximately RMB17,825,000) in Vietnam Mayer ("VM Capital Increase") from USD4,000,000 (equivalent to approximately RMB26,408,000) to USD6,700,000 (equivalent to approximately RMB44,233,000). Pursuant to the agreement, the whole amount of VM Capital Increase is contributed in form of cash by Taiwan Mayer only.

In the meanwhile, Winner Industrial disposed the entire 20% equity interests in Vietnam Mayer to Taiwan Mayer according to the sale and purchase agreement entered into by Winner Industrial and Taiwan Mayer on 14 October 2010. Upon completion of the share transfer from Winner Industrial to Taiwan Mayer and the VM Capital Increase on 11 February 2011, the equity interests in Vietnam Mayer held indirectly by the Group decreased from 50% to 29.85% and the Group's effective interest in Vietnam Mayer decreased from 40.7% to 24.3% and Taiwan Mayer holds 70.15% equity interests in Vietnam Mayer. Consequently, the Group lost control in the board of directors of Vietnam Mayer and hence lost the power to control the strategic financial and operating policies of Vietnam Mayer. As a result, Vietnam Mayer ceased to be a subsidiary of the Group.

The results of the Steel-Vietnam operation for the period from 1 January 2011 to 11 February 2011 (the date of deemed disposal of Vietnam Mayer) included in the consolidated income statement are set out below. The comparative profits from Steel-Vietnam operation and property investment operation have been re-presented to include the operations classified as discontinued in the current period.

	1/1/2011 to 11/2/2011	**1/1/2010 to 30/6/2010**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Turnover *(note 4)*	4,647	21,622
Cost of sales	(4,071)	(13,746)
Gross profit	576	7,876
Other revenue	120	422
Other net loss	–	(117)
Valuation gain on investment property	–	10,573
Distribution costs	(76)	(285)
Administrative expenses	(192)	(1,493)
Profit from operations	428	16,976
Finance costs *(note 5(a))*	(2)	(1,749)
Profit before taxation *(note 5)*	426	15,227
Income tax *(note 6)*	(34)	(987)
	392	14,240
Loss on disposal of discontinued operations (including RMB2,294,000 reclassification of exchange reserve from equity to profit or loss on disposal of discontinued operations)	(3,271)	–
Income tax	–	–
Loss on disposal of discontinued operations, net of tax	(3,271)	–
(Loss)/profit from discontinued operations	(2,879)	14,240
Attributable to:		
owners of the Company	(3,112)	12,509
non-controlling interests	233	1,731
(Loss)/profit from discontinued operations	(2,879)	14,240

8. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

(i) From continuing and discontinued operations

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB1,554,000 (six months ended 30 June 2010: RMB26,449,000) and the weighted average number of 760,411,000 ordinary shares (At 30 June 2010: 576,000,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	2011	**2010**
	'000	*'000*
Issued ordinary shares at 1 January	691,200	576,000
Effect of issue of consideration shares *(note 13)*	69,211	–
Weighted average number of ordinary shares at 30 June	760,411	576,000

(ii) From continuing operations

The calculation of basic earnings per share from continuing operations is based on the profit attributable to owners of the Company of RMB4,666,000 (six months ended 30 June 2010: RMB13,940,000 (restated)) and the weighted average number of 760,411,000 ordinary shares (At 30 June 2010: 576,000,000 ordinary shares) in issue during the period. The profit attributable to owners of the Company are calculated as follows:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	1,554	26,449
Less: Loss/(profit) for the period attributable to owners of the Company from discontinued operations	3,112	(12,509)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share from continuing operations	4,666	13,940

(iii) From discontinued operations

The calculation of basic (loss)/earnings per share from discontinued operations is based on the loss attributable to owners of the Company of RMB3,112,000 (six months ended 30 June 2010: profit of RMB12,509,000 (restated)) and the weighted average number of 760,411,000 ordinary shares (At 30 June 2010: 576,000,000 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as the potential ordinary shares outstanding for the six months ended 30 June 2011 are anti-dilutive (six months ended 30 June 2010: there were no dilutive ordinary shares outstanding).

10. INTANGIBLE ASSET

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited)
Cost		
At 1 January	–	–
Exchange adjustment	(417)	–
Arising on acquisition of subsidiaries *(note 15)*	549,780	–
At 30 June 2011/31 December 2010	549,363	–
Accumulated amortisation and impairment		
At 1 January	–	–
Exchange adjustment	4	–
Charge for the period/year	1,854	–
At 30 June 2011/31 December 2010	1,858	–
Carrying amount		
At 30 June 2011/31 December 2010	547,505	–

Intangible asset represents the investment certificate No. 221.022.000.107 granted on 28 December 2007 by the People's Committee of Quang Ninh Province to Dan Tien for (i) the Dan Tien Port Project on the development and operation of port in Mong Cai in Vietnam ("Dan Tien Port Project") and (ii) the Phoenix Trade and Tourism Urban Area Project on the development of properties in Mong Cai in Vietnam ("Phoenix Trade and Tourism Urban Area Project") for a period of 50 years from 27 June 2003.

The acquisition of the entire equity interests in Yield Rise Limited ("Yield Rise") and its subsidiaries (collectively the "Yield Rise Group") is considered as a purchase of net assets and liabilities, including the intangible asset (i.e. investment certificate), of Yield Rise Group. The value of the intangible asset acquired represents the difference between (i) sum of the fair value of consideration of HK$605,763,000 (equivalent to approximately RMB501,451,000) for the acquisition of the entire equity interests in Yield Rise and the non-controlling interests acquired of RMB214,905,000; and (ii) the net assets of Yield Rise Group attributable to the owners of Yield Rise Group as at 9 May 2011 of approximately VND528,179,444,000 (equivalent to approximately RMB166,576,000), which amounting to RMB549,780,000.

The investment certificate has finite useful lives and is amortised on a straight line basis over its remaining useful life up to 26 June 2053. The amortisation charge for the period is included in "Administrative expenses" in the consolidated income statement.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables and bills receivables	142,624	151,060
Less: allowance for doubtful debts	(1,603)	(2,088)
	141,021	148,972
Other receivables	824	7,206
Amounts due from jointly controlled entities	4,004	1,140
Amounts due from related companies	4,333	4,393
Amount due from ultimate holding company	1,000	–
Amount due from a non-controlling shareholder of a subsidiary	232	–
Loans and receivables	151,414	161,711
Prepayments and other deposits	5,839	1,706
Value-added tax deductible	4,242	–
	161,495	163,417

Trade receivables and bills receivables net of allowance for doubtful debts of RMB1,603,000 (At 31 December 2010: RMB2,088,000) with the following age presented based on invoice date as of the end of the reporting period:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 30 days	35,504	47,323
31 – 60 days	34,582	44,467
61 – 90 days	39,567	25,426
91 – 180 days	30,740	31,660
Over 180 days	628	96
	141,021	148,972

12. TRADE AND OTHER PAYABLES

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	13,998	10,609
Other payables	16,724	14,687
Dividend payables	534	546
Amount due to a director	1,518	1,058
Amount due to a related company	6,130	–
Amount due to a jointly controlled entity	12,290	–
Amount due to ultimate holding company	–	10,633
Financial liabilities measured at amortised cost	51,194	37,533
Advances from customers for properties under development for sale	25,826	–
Receipts in advance	2,622	3,406
	79,642	40,939

The following is an ageing analysis of trade payables presented based on invoice date as at the end of the reporting period:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 30 days	13,747	10,219
31 – 60 days	–	139
61 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 1 year	251	251
	13,998	10,609

13. SHARE CAPITAL

Authorised and issued share capital

	At 30 June 2011		At 31 December 2010	
	Number of shares *'000*	*RMB* *'000*	*Number of shares* *'000*	*RMB* *'000*
Authorised:				
Ordinary shares of HK$0.10 each	2,000,000	195,662	2,000,000	195,662

	For the six months ended 30 June 2011		For the year ended 31 December 2010	
	Number of shares *'000*	*RMB* *'000*	*Number of shares* *'000*	*RMB* *'000*
Ordinary shares, issued and fully paid:				
At 1 January	691,200	69,306	576,000	59,460
Issue of new shares on exercise of warrants	–	–	115,200	9,846
Issue of consideration shares	236,364	19,566	–	–
At 30 June 2011/ 31 December 2010	927,564	88,872	691,200	69,306

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

14. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary

For the six months ended 30 June 2011

On 28 June 2011, the Group disposed its entire 100% equity interests in Advance Century Development Limited ("Advance Century"), which was principally engaged in investment holding of available-for-sale financial assets, for a consideration of HK$15,500,000 (equivalent to approximately RMB12,874,000). The net assets of Advance Century at the date of disposal were as follows:

Consideration received

	Six months ended 30 June 2011 *RMB'000*
Consideration received in cash and cash equivalents	12,874
Total consideration received	12,874

Analysis of asset and liabilities over which control was lost

	At 28 June 2011 *RMB'000*
Current assets	
Cash and cash equivalents	46
Available-for-sale financial asset, net of impairment	–
Current liabilities	
Amount due to immediate holding company	45
Net assets disposed of	**1**

Gain on disposal of a subsidiary

	Six months ended 30 June 2011 *RMB'000*
Consideration received	12,874
Net assets disposed of	(1)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	76
Gain on disposal	12,949

The gain on disposal of a subsidiary is included in the other net income in the consolidated income statement.

Net cash inflow on disposal of a subsidiary

	Six months ended 30 June 2011
	RMB'000
Consideration received in cash and cash equivalents	12,874
Less: cash and cash equivalent balances disposed of	(46)
	12,828

(b) Deemed disposal of a subsidiary attributable to discontinued operations

For the six months ended 30 June 2011

As explained in note 7, on 11 February 2011, the Group lost effective control over Vietnam Mayer, a then available-for-sale financial asset of the Group.

On 11 February 2011, the Group's interests in Vietnam Mayer was diluted from 40.7% to 24.3%. Accordingly, Vietnam Mayer ceased to be a subsidiary and the 24.3% equity interests retained in Vietnam Mayer is recognised as available-for-sale financial asset as the directors of the Company consider Vietnam Mayer is controlled by Taiwan Mayer and the Group is unable to exercise significant influence over Vietnam Mayer thereafter.

Consideration received

	Six months ended 30 June 2011
	RMB'000
Fair value of 24.3% equity interests in Vietnam Mayer retained by the Group	11,766
Total consideration received	11,766

Analysis of assets and liabilities over which control was lost

	At 11 February 2011
	RMB'000
Non-current assets	
Property, plant and equipment	17,689
Prepaid lease payments	3,791
	21,480
Current assets	
Inventories	6,377
Trade and other receivables	9,473
Amount due from ultimate holding company	7,243
Tax recoverable	75
Cash and cash equivalents	2,758
	25,926
Current liabilities	
Bank borrowings	(433)
Trade and other payables	(2,564)
	(2,997)
Net assets disposed of	44,409

Loss on loss of control in a subsidiary

	Six months ended 30 June 2011
	RMB'000
Consideration received	11,766
Net assets disposed of	(44,409)
Non-controlling interests disposed of	31,666
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control in a subsidiary	(2,294)
Loss on loss of control in a subsidiary	(3,271)

The loss on loss of control in a subsidiary is included in the (loss)/profit from discontinued operations in the consolidated income statement (see note 7).

Net cash outflow on loss of control in a subsidiary

	Six months ended 30 June 2011 *RMB'000*
Cash and cash equivalent balances disposed of	(2,758)

15. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

Acquisition of Yield Rise

On 9 May 2011, the Group completed its acquisition of 100% equity interests in Yield Rise from an independent third party for a consideration of HK$620,000,000, which is satisfied by (i) cash of HK$100,000,000; (ii) the issue of 236,363,636 consideration shares at the issue price of HK$0.55 per consideration share; (iii) 5% convertible bonds of HK$90,000,000; and (iv) 8% promissory note of HK$300,000,000.

Yield Rise holds 87.5% equity interests in Best Wonder Holdings Limited, which in turn holds 100% equity interests in Good Wishes Investment Limited ("Good Wishes") and Good Wishes in turn holds 80% equity interests in Dan Tien.

Dan Tien is a foreign invested limited liability company established under the laws of Vietnam on 3 June 2003. Dan Tien is principally engaged in the development of property, port and relevant logistic business in Vietnam. Dan Tien is licensed with the investment certificate No. 221.022.000.107 by the People's Committee of Quang Ninh Province on 28 December 2007 to carry out two separate projects in Vietnam, which are Dan Tien Port Project and Phoenix Trade and Tourism Urban Area Project for a period of 50 years from 27 June 2003.

The acquisition is considered as a purchase of net assets and liabilities, including the intangible asset (i.e. investment certificate), of Yield Rise Group.

Details of the net assets acquired in respect of the acquisition of Yield Rise Group are summarised below:

	At 9 May 2011 *RMB'000*
Net assets acquired	
Property, plant and equipment	2,180
Construction in progress	25,237
Intangible asset	549,780
Properties under development for sale	180,920
Other receivables and prepayments	2,967
Cash and cash equivalents	6,062
Other payables and accruals	(24,945)
Advances from customers for properties under development for sale	(25,845)
Net assets	716,356
Non-controlling interests	(214,905)
	501,451
Consideration satisfied by:	
Deposit for acquisition of subsidiaries paid in previous year	62,293
Consideration payable for acquisition of subsidiaries	20,489
Issue of new shares (note (i))	89,025
Promissory note (note (ii))	258,145
Convertible bonds (note (ii))	71,499
	501,451
Cash and cash equivalents acquired	6,062
Cash consideration paid	–
Net inflow of cash and cash equivalents in respect of the acquisition of Yield Rise	6,062

Notes:

(i) The fair value of 236,363,636 shares issued for the acquisition of Yield Rise amounting to HK$107,545,454 (equivalent to approximately RMB89,025,000) was determined using the published closing bid price of HK$0.455 at the date of acquisition instead of the issue price of HK$0.55 in accordance with the agreement dated 8 November 2010. The shares were allotted and the relevant registration with the share registrar was completed on 9 May 2011.

(ii) The fair value was determined with reference to the valuation reports prepared by Grant Sherman Appraisal Limited, an independent professional valuer.

16. **MATERIAL RELATED PARTY TRANSACTIONS**

(a) During the period, the Group entered into the following material related party transactions which were carried out in the normal course of the Group's business:

(i) ROC Advance Limited ("ROC"), a wholly-owned subsidiary of the Company, entered into an aircraft lease agreement with Daily Air Corporation ("Daily Air"), a related company in which Mr. Huang Chun-fa, a former non-executive director of the Company and currently a director of Taiwan Mayer, has beneficial interest, regarding the leasing of four aircrafts and the provision of consultancy services, including provision of qualified and experienced pilot and technician, 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, ranged from USD23,000 to USD26,000 per month per aircraft, and consultancy fee income, based on the actual cost of provision of consultancy services and limited to USD20,000 per month. On 6 May 2008 and 5 June 2011, the lease agreement was extended to 7 July 2011 and 7 June 2012 respectively with rental income and consultancy fee income remain unchanged. At the end of the reporting period, RMB4,301,000 (At 31 December 2010: RMB4,393,000) is due from this related company which is unsecured, interest free and repayable within the next twelve months from the end of the reporting period. The amounts of transactions during the period are disclosed in (vii) below.

(ii) On 13 April 2007, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), a 81.4% indirectly owned subsidiary of the Company, entered into a raw material purchase agreement with Taiwan Mayer for the acquisition of raw materials from Taiwan Mayer for the period commencing from 1 April 2007 to 31 March 2010. The maximum amounts of raw material purchase for the three years ended 31 March 2008, 2009 and 2010 were in the amounts of USD3,900,000 (equivalent to approximately RMB30,100,000), USD4,300,000 (equivalent to approximately RMB33,200,000) and USD4,700,000 (equivalent to approximately RMB36,300,000), respectively.

On 22 May 2009, Guangzhou Mayer entered into a revised raw material purchase agreement with Taiwan Mayer for the period commencing from 1 July 2009 to 31 December 2011. The maximum amounts of raw material purchase for the six months ended 31 December 2009 and year ended 31 December 2010 were of USD1,560,000 (equivalent to approximately RMB10,723,000) and USD2,340,000 (equivalent to approximately RMB16,080,000) respectively. The maximum amount of raw material purchase for the year ending 31 December 2011 will be in the amount of approximately USD2,340,000 (equivalent to approximately RMB16,080,000). There are no such transactions during the period.

On the same date, Guangzhou Mayer entered into a finished goods sales agreement with Taiwan Mayer for the sales of finished goods to Taiwan Mayer for the period commencing from 1 July 2009 to 31 December 2011. The maximum amounts of finished goods sales for the six months ended 31 December 2009 and year ended 31 December 2010 were of USD1,837,000 (equivalent to approximately RMB12,626,000) and approximately USD3,675,000 (equivalent to approximately RMB25,261,000) respectively. The maximum amount of finished goods sales for the year ending 31 December 2011 will be in the amount of USD5,512,000 (equivalent to approximately RMB37,878,000). The amounts of transactions during the period are disclosed in (vii) below.

(iii) On 11 February 2011, the Group's former subsidiary, Vietnam Mayer, completed the VM Capital Increase of which capital was contributed in form of cash by Taiwan Mayer only. Consequently, the Group lost control in the board of directors of Vietnam Mayer and hence lost the power to control the strategic financial and operating policies of Vietnam Mayer. As a result, Vietnam Mayer ceased to be a subsidiary of the Group and it resulted to a deemed disposal of the Group's 40.7% equity interests in Vietnam Mayer to Taiwan Mayer. The 24.3% equity interests in Vietnam Mayer retained by the Group after the VM Capital Increase is a deemed acquisition of available-for-sale financial assets from Taiwan Mayer. A loss on deemed disposal of the subsidiary of RMB3,271,000 was recorded by the Group (see note 14(b)).

(iv) On 13 August 2010, the Group entered into a disposal agreement with Taiwan Mayer in relation to the disposal of the Group's 100% equity interests in Mei Kong to Taiwan Mayer at a consideration of NTD260,474,000 (equivalent to approximately RMB55,481,000). On 27 September 2010, the registration procedures on the transfer of shares were completed and a loss on disposal of the subsidiary of RMB12,006,000 was recorded by the Group.

Pursuant to the terms of the disposal agreement with Taiwan Mayer, the Group agreed to indemnify Taiwan Mayer (i) all costs and expenses incurred by Taiwan Mayer in connection with any claim or action commenced at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong; and (ii) any due or undue guarantee, liability or tax liability at any time before or on the date of the disposal agreement against the Group in relation to Mei Kong. The warranty of minimum annual rental of NTD56,100,000 (equivalent to approximately RMB12,695,000) to be generated from the investment property, which are previously held by Mei Kong and disposed to China Life on 15 July 2010, within three years from the day after the point of delivery date of 15 July 2010 ("Guarantee Income") would be a liability to be retained and borne by the Group as it is the undue guarantee incurred before the date of disposal agreement against the Group in relation to Mei Kong.

As Mei Kong had entered into a separate reimbursement and custodian agreement dated 12 May 2010 with a real estate agent, who agreed to bear the shortfall of guaranteed rental income within three years commencing from 16 July 2010, the Group considered the possibility of an outflow of resources embodying economic benefits is remote. At 30 June 2011, provision of RMBNil (At 31 December 2010: RMBNil) is recognised by the Group.

(v) On 28 January 2011, the Company entered into a capital increase agreement (the "JV Capital Increase Agreement") with Taiwan Mayer pursuant to which the share capital of Glory World Development Limited ("Glory World") is increased from US$2,000,000 (equivalent to approximately RMB13,242,000) to US$50,000,000 (equivalent to approximately RMB331,072,000). Pursuant to the JV Capital Increase Agreement, the Company and Taiwan Mayer agree to make further capital contribution on a non pro-rata basis of US$19,000,000 (equivalent to approximately RMB125,808,000) and of US$29,000,000 (equivalent to RMB192,022,000) respectively. The consideration to be paid by the Company is satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000); and (ii) the balance of US$8,000,000 (equivalent to approximately RMB52,972,000) in cash by 31 December 2012. The consideration to be paid by Taiwan Mayer is satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000); and (ii) the balance of US$18,000,000 (equivalent to approximately RMB119,186,000) in cash by 31 December 2012. Upon completion of the capital injection, the Company's equity interests in the jointly controlled entity will be decreased from 50% to 40% and the remaining 60% will be owned by Taiwan Mayer. Pursuant to the JV Capital Increase Agreement, Glory World is still under the joint control by the Company and Taiwan Mayer after the capital increase.

The shareholder's loans by the Company and Taiwan Mayer of US$11,000,000 (equivalent to approximately RMB72,836,000) each were capitalised on 8 April 2011. In addition, Taiwan Mayer further contributed US$100,000 (equivalent to approximately RMB654,000) in cash to Glory World during the period. At 30 June 2011, the Company's equity interests in the jointly controlled entity decreased from 50% to 49.79%.

(vi) The Company, certain subsidiaries and jointly controlled entities executed a cross guarantee arrangement to a bank in respect of banking facilities of RMB90,488,000 (At 31 December 2010: RMB26,491,000) granted to the Group and the jointly controlled entities. In addition, the Company pledged a bank deposit of RMB5,106,000 (equivalent to USD788,000) (At 31 December 2010: RMB5,216,000 (equivalent to approximately USD788,000)) to the bank to secure the banking facilities. Under the guarantee, the Group and the jointly controlled entities are jointly and severally liable for all and any of the borrowings from the bank which is the beneficiary of the cross guarantee.

(vii) The Group also entered into the following material related party transactions during the period:

Name of related party	Nature of relationship	Nature of transaction	Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Lo Haw and his spouse	Family member of director of the Company	Rental paid	(i)	60	60
Daily Air	Under control of a director of ultimate holding company of the Company	Rental income	(ii)	(3,845)	(4,014)
		Consultancy fee income	(ii)	(146)	(183)
Taiwan Mayer	Ultimate holding company	Rental paid	(i)	–	12
		Sales of finished goods	(ii)	(483)	(1,010)
		Interest expenses	(iii)	–	30
Glory World	Jointly controlled entity of the Company	Interest income	(iii)	(287)	–

Notes:

(i) The rentals which were paid for premises owned by Mr. Lo Haw, a former executive director of the Company who resigned on 11 March 2011, and his spouse and Taiwan Mayer were determined with reference to the prevailing market rental.

(ii) Mutually agreed by the parties concerned.

(iii) Interest bearing at 1.5% per annum.

(viii) Amount due from/(to) related parties:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Amounts due from related companies	4,333	4,393
Amount due to a related company	(6,130)	–
Amount due to a director	(1,518)	(1,058)
Loan to a jointly controlled entity	–	72,836
Amounts due from jointly controlled entities	4,004	1,140
Amount due to a jointly controlled entity	(12,290)	–
Amount due from/(to) ultimate holding company	1,000	(10,633)
Amount due from a non-controlling shareholder of a subsidiary	232	–
Advances from customers for properties under development for sale	12,114	–

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	2,010	1,738
Retirement scheme contributions	8	8
	2,018	1,746

Total remuneration is included in "staff costs" (see note 5(b)).

17. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2011 not provided for in the interim financial report were as follows:

	At 30 June 2011	**At 31 December 2010**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted for		
– Acquisition of property, plant and equipment	–	167
– Construction in progress	25,275	–
– Properties under development for sale	3,069	–
	28,344	167

(b) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011	**At 31 December 2010**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	1,511	1,604
After 1 year but within 5 years	1,595	2,382
	3,106	3,986

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases in respect of aircrafts are receivable as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	6,968	3,235
After 1 year but within 5 years	–	–
	6,968	3,235

18. PLEDGE OF ASSETS

At 30 June 2011, the following assets are pledged to banks for the banking facilities and loans granted to the Group and the Group's jointly controlled entities:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Pledged bank deposits	10,788	5,216

19. COMPARATIVE FIGURES

Comparative information in consolidated income statement has been restated to re-present the results of the Steel-Vietnam operation and property investment operation as discontinued operations as disclosed in note 7.

4. INDEBTEDNESS STATEMENT

At the close of business on 29 February 2012, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this Response Document, the Group had the following borrowings:

(i) short term unsecured bank loans of RMB79,853,000 (equivalent to approximately HK$98,341,000);

(ii) short term secured bank loans of RMB20,524,000 (equivalent to approximately HK$25,276,000) which was secured by corporate guarantee and pledged deposits;

(iii) short term loan of RMB6,000,000 (equivalent to approximately HK$7,389,000) which was provided by a shareholder;

(iv) outstanding promissory notes of RMB243,600,000 (equivalent to approximately HK$300,000,000); and

(v) outstanding convertible notes of RMB73,080,000 (equivalent to approximately HK$90,000,000)

At the close of business on 29 February 2012, the banking facilities of the Group were supported by charges over pledged bank deposits of the Group with book value of RMB4,969,000 (equivalent to approximately HK$6,120,000) and corporate guarantees executed by certain entities in the Group.

At the close of business on 29 February 2012, the Group had given corporate guarantees in certain banks to secure banking facilities of approximately RMB31,500,000 (equivalent to approximately HK$38,793,000) granted to the subsidiary. RMB18,900,000 (equivalent to approximately HK$23,276,000) of these banking facilities were utilised.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 29 February 2012, the Group did not have any outstanding indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, material guarantees or material contingent liabilities.

5. MATERIAL CHANGES

(i) as disclosed in the announcements of the Company dated 12 November 2010 and 31 March 2011 respectively, the Company entered into a sale and purchase agreement dated 8 November 2010 and a supplemental agreement dated 31 March 2011 extending the long stop date for fulfillment of conditions precedent under the aforesaid sale and purchase agreement to 30 June 2011 (the "**VSA Agreement**") in relation to the acquisition of 100% equity interest in Yield Rise Limited ("**Yield Rise**") from Make Success for a total consideration of HK$620 million which was satisfied (i) as to HK$100 million in cash;

(ii) as to HK$130 million by issue and allotment of 236,363,636 shares at an issue price of HK$0.55 per share of the Company; (iii) as to HK$90 million by issue of bonds convertible into 163,636,363 shares at a conversion price of HK$0.55 per share of the Company; and (iv) as to HK$300 million by issue of promissory notes. The acquisition of 100% equity interest in Yield Rise was completed on 9 May 2011. Yield Rise owns 87.5% equity interest in Best Wonder Holdings Limited which owns 100% equity interest in Good Wishes Investment Limited. Dan Tien Port Development Joint Venture Company Limited ("**Dan Tien**"), a foreign invested limited liability company established under the laws of Vietnam, is owned as to 80% by Good Wishes Investment Limited. Dan Tien is principally engaged in the development of Dan Tien port, a property development project and relevant logistic business in Mong Cai Town, Quang Ninh Province, Vietnam. The capital expenditure for the first phase construction of the port is estimated at approximately HK$407.62 million. A writ of summons for the claim against, among others, Make Success was issued by the Company as stated in (v) below. The Group will keep pursuing to obtain information from Dan Tien;

(ii) as disclosed in the announcement of the Company dated 28 January 2011, the Company entered into a capital increase agreement (the "**JV Capital Increase Agreement**") with Taiwan Mayer, a substantial shareholder of the Company holding approximately 21.56% of shareholding in the Company, pursuant to which the share capital of Glory World Development Limited ("**Glory World**") is increased from US$2,000,000 (equivalent to approximately RMB13,242,000) to US$50,000,000 (equivalent to approximately RMB331,072,000). Pursuant to the JV Capital Increase Agreement, the Company and Taiwan Mayer agree to make further capital contribution on a non pro-rata basis of US$19,000,000 (equivalent to approximately RMB125,808,000) and of US$29,000,000 (equivalent to RMB192,022,000) respectively. The consideration to be paid by the Company is satisfied by the following manner: (i) capitalisation of shareholder's loan of US$11,000,000 (equivalent to approximately RMB72,836,000); and (ii) the balance of US$8,000,000 (equivalent to approximately RMB52,972,000) in cash by 31 December 2012. Upon completion of the aforesaid capital injection, the Company's equity interests in Glory World will be decreased from 50% to 40% and the remaining 60% will be owned by Taiwan Mayer. Pursuant to the JV Capital Increase Agreement, Glory World is still under the joint control by the Company and Taiwan Mayer after the capital increase;

(iii) On 23 February 2011, Guangzhou Mayer Metal Company Limited ("**Guangzhou Mayer**"), a non-wholly owned subsidiary of the Company, and Chongqing Hengyang Property Development Company Limited (重慶恒陽房地產開發有限公司) ("**Chongqing Hengyang**"), which is an independent third party of and not connected with the Company and its connected persons, entered into a sale and purchase agreement ("**Property Agreement**") pursuant to which Guangzhou Mayer agreed to acquire property, plant and equipment for a total consideration of RMB60,660,000. Such project was expected to be completed and delivered to the Company by no later than 31 December 2015. As one of the conditions precedent for the disposal set out in paragraph (iv) below, the Company is required to obtain an undertaking from Chongqing Hengyang to revoke the Property Agreement and to refund the consideration plus 5% and Chongqing Hengyang has not indicated whether it will provide the said undertaking up to the Latest Practicable Date;

(iv) as disclosed in the announcement of the Company dated 5 January 2012, the Company entered into a sale and purchase agreement dated 12 November 2011 in relation to the disposal of entire issued share capital of Bamian Investments Pte. Limited ("**Bamian**"), a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company, for a total consideration of approximately RMB184.8 million. Bamian holds 81.4% direct interest in Guangzhou Mayer and 29.85% indirect interest in Vietnam Mayer Company Limited. Upon completion of such disposal, Bamian will cease to be a subsidiary of the Company.

(v) as disclosed in the announcement of the Company dated 16 January 2012, the Company has issued on 12 January 2012 a writ of summons in the Court of First Instance of the High Court of Hong Kong claiming against Make Success for breach of the VSA Agreement and misrepresentations made by Make Success pursuant to the Misrepresentation Ordinance. As per the announcement of the Company dated 9 March 2012, the Company has on 6 March 2012 filed an amended writ of summons and amended indorsement of claim in the Court of First Instance of the High Court of Hong Kong.

(vi) as disclosed in the announcement of the Company dated 8 February 2012, the Company had entered into on 6 January 2012 a placing agreement, on 31 January 2012 a supplemental placing agreement to extend the long stop date to 29 February 2012 and on 29 February 2012 a second supplemental placing agreement to further extend the long stop date to 31 March 2012 with the Placing Agent, on a best endeavour basis for the placing of up to 185,000,000 new shares of the Company at a placing price of HK$0.11 each. According to the ruling of the Executive, the Placing constitutes a frustrating action under Rule 4 of the Takeovers Code and should not be proceeded without the approval of the Shareholders. Upon completion of the Placing, the Company will raise net proceeds of approximately HK$19.7 million. As disclosed in the announcement of the Company dated 21 March 2012, the Company and the Placing Agent have mutually terminated the Placing on the same date;

(vii) as disclosed in the announcement of the Company dated 28 February 2012, Make Success has on 15 February 2012 issued a writ of summons against the Company and certain members of the board of directors of the Company in relation to the Placing; and

(viii) Yield Rise Limited and its subsidiaries (the "**Yield Rise Group**") has been excluded from the review of material change as per Rule 10.11 of the Takeovers Code for the reasons as stated in paragraphs (i) and (v) above and the fact that the projects in Vietnam to be developed by Yield Rise Group (the "**Vietnam Project**") is still under construction and on-going capital investment will be required. In this regard, positive contribution to the Group's operating results is not expected in the near future. However, the Company was unable to assess the construction progress of the Vietnam Project and to obtain its books and records due to the matters in relation to litigation against Make Success. Until recently, the Company has been in contact with the management of the Yield Rise Group in Vietnam in order to update the construction progress of the Vietnam Project on which its viability will be assessed in view of the recent development and to obtain latest financial information on which to compile management accounts of Yield Rise Group.

Save for the information disclosed in paragraph (iii) and (viii) above, details of the other paragraphs have been disclosed by the Company by way of issue of announcements at the respective material time. Save and except for the above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

Mr. Xue Wenge, an executive director of the Company, Mr. Li Deqiang, a non-executive director of the Company and Mr. Lam Chun Yin, a non-executive director of the Company are considered by the Directors to have a conflict of interest in respect of the Offers given their close relationship with Make Success and accordingly, they are not in a position to participate or vote in any portion of a board meeting held solely for the purpose of discussing the Offers. The Company has also received consent from the Executive under Rule 9.4 of the Takeovers Code to exclude Mr. Xue Wenge, Mr. Li Deqiang and Mr. Lam Chun Yin from the responsibility statement contained in any documents to be issued by the Company in connection with the Offers.

The information in this Response Document relating to the Offeror, parties acting in concert with it and the intentions of the Offeror has been compiled or summarized from the Offer Document. The Directors' responsibility is limited to the correctness and fairness of the reproduction or presentation of such information.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

Authorised:		*HK$*
2,000,000,000	Shares of HK$0.10 each	200,000,000.00
Issued and fully paid or credited as fully paid:		
927,563,636	Shares of HK$0.10 each as at the Latest Practicable Date	92,756,363.60

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

Since 31 December 2010, being the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company has issued 236,363,636 consideration Shares at the issue price of HK$0.55 per consideration Share and convertible bonds of HK$90,000,000 convertible into 163,636,363 conversion Shares at a conversion price of HK$0.55 per conversion Share to Make Success on 9 May 2011 pursuant to the sale and purchase agreement dated 8 November 2010.

At as the Latest Practicable Date, the Company had outstanding convertible bonds of HK$90,000,000 convertible into 163,636,363 conversion Shares.

Save as disclosed above, the Company had no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Interest of the Company in the Offeror

As at the Latest Practicable Date, the Company did not have any interest in the shares, warrants, options, derivatives, and other securities carrying conversion or subscription rights into shares of Mr. Wang Han as he is an individual.

(b) Interest of the Directors in the Offeror

As at the Latest Practicable Date, the Directors did not have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Mr. Wang Han as he is an individual.

(c) 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 and chief executives of the Company 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 the interests and short positions which they are taken or deemed 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 Directors of Listed Companies, to be notified to the Company and the Stock Exchange or are required to be disclosed in this Response Document pursuant to the requirement of the Takeovers Code.

(i) Taiwan Mayer

	Number of ordinary shares in Taiwan Mayer					
Name of Directors	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**Approximate % of shareholding**
Mr. Chiang Jen-chin	7,261	–	–	–	7,261	0.00%

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 Division 7 and 8 of Part XV 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 Directors of Listed Companies, to be notified to the Company and the Stock Exchange or are required to be disclosed in this Response Document pursuant to the requirement of the Takeovers Code.

(d) 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 executives of the Company, who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 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 of substantial Shareholder	Capacity	Number of Shares	Approximate % of the Company's issued Share capital
The Offeror *(Note 1)*	Beneficial owner	236,363,636	25.48%
Taiwan Mayer *(Note 2)*	Interest of controlled corporation	200,000,000	21.56%
Mayer Corporation Development International Limited *(Notes 2 and 3)*	Beneficial owner	200,000,000	21.56%
Aspial Investment Ltd *(Note 3)*	Beneficial owner	100,000,000	10.78%
Bumper East Limited *(Note 3)*	Beneficial owner	100,000,000	10.78%
Mr. Chen Shujun *(Note 3)*	Interest of controlled corporation	100,000,000	10.78%

Name of substantial Shareholder	Capacity	Number of Shares	Approximate % of the Company's issued Share capital
Mr. Lin Jinhe *(Note 3)*	Interest of controlled corporation	100,000,000	10.78%
Valley Park Global Corporation *(Note 4)*	Beneficial owner	46,640,000	5.03%
Mr. Liu Qiong *(Note 4)*	Interest of controlled corporation	46,640,000	5.03%
Simsen International Corporation Limited *(Note 5)*	Beneficial owner of conversion shares	163,636,363	17.64%

Notes:

1. As set out in the 2nd Announcement, the Offeror acquired from Make Success 70,000,000 Shares, representing approximately 7.55% of the entire issued share capital of the Company, pursuant to the 1st Share Acquisition and the Offeror further acquired from Make Success 166,363,636 Shares, representing approximately 17.93% of the entire issued share capital of the Company, pursuant to the 2nd Share Acquisition. According to the Offer Document, (i) the 1st Share Acquisition and the 2nd Share Acquisition had been executed; (ii) all the relevant stamp duties for the 1st Share Acquisition and the 2nd Share Acquisition had been paid for; and (iii) the Offeror is not yet able to register the transfer of title of such 236,363,636 Shares acquired pursuant to the 1st Share Acquisition and the 2nd Share Acquisition into his name. The share transfers are currently subject to legal dispute. Please refer to the paragraph headed "Litigations – Claim against Make Success by the Company" in the "Letter from the Board" in this Response Document for details.

2. Mayer Corporation Development International Limited is a wholly-owned subsidiary of Taiwan Mayer. Taiwan Mayer is deemed to be interested in the 200,000,000 Shares held by Mayer Corporation Development International Limited under the SFO.

3. Aspial Investment Ltd. and Bumper East Limited (held by Mr. Chen Shujun and Mr. Lin Jinhe respectively) alleged that Mayer Corporation Development International Limited transferred 100,000,000 Shares in the Company to each of them. This allegation is currently under legal dispute.

4. Mr. Liu Qiong is deemed to be interested in the 46,640,000 Shares held by Valley Park Global Corporation, which is wholly-owned by Mr. Liu Qiong.

5. The 17.64% interest of Simsen International Corporation Limited in the Company takes the form of convertible notes in the principal amount of HK$90,000,000 and convertible into 163,636,363 Shares. As mentioned in note 1 above, the convertible notes are also under legal dispute.

Save as disclosed above, 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 the Shares or underlying Shares of the Company, who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 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.

(e) Other interest in the Company

As at the Latest Practicable Date,

(i) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

(ii) none of the advisers named under the section headed "Experts and Consents" or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

(iii) no shareholdings in the Company were managed on discretionary basis by fund managers connected with the Company;

(iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates under the Takeovers Code had any interest in any securities, convertible securities, warrants, options or derivatives of the Company and there was no such arrangement between any parties listed above;

(v) none of the Directors had any shareholdings in the Company; and

(vi) none of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company.

4. DEALINGS IN SECURITIES

(a) Dealing in securities of the Company by the Directors

None of the Directors had dealt for value in any relevant securities (as define in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

(b) Dealing in securities of the Offeror by the Company

The Company had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Mr. Wang Han during the Relevant Period as he is an individual.

(c) Dealing in securities of the Offeror by the Directors

The Directors had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Mr. Wang Han during the Relevant Period as he is an individual.

(d) Others

During the Relevant Period,

(i) none of the subsidiaries of the Company, nor pension fund of the Company or any of the Company's subsidiaries, nor any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares;

(ii) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

5. OTHER ARRANGEMENT RELATING TO THE OFFER

(a) No person, who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code had dealt in any securities, convertible securities, warrants, options and derivatives of the Company; and

(b) No fund managers connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

(a) no benefit (Other than statutory compensations) was or would be given to any Director as compensations for loss of office or otherwise in connection with the Offers;

(b) no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and

(c) no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with term more than 12 months to run irrespective of the notice period.

8. LITIGATIONS

(a) On 12 January 2012, the Company (as plaintiff) commenced legal action (HCA 64/2012) against Make Success (as defendant) for breach of the sale and purchase agreement dated 8 November 2010, details of which were set out in the announcement of the Company dated 16 January 2012. On 6 March 2012, an amended writ of summons (the "**Amended Writ**") was issued by the Company as the plaintiff against, among others, the Vendor and the Offeror as defendants in connection with, among others, a conspiracy to defraud the Company and/or to injure the Company's business and economic interests unlawfully by procuring the sale by the Vendor to the Company of the entire shareholding in Yield Rise Limited, which indirectly holds a 70% attributable interest in the right to develop a designated port and certain real estate projects in Vietnam on an inflated valuation arrived at by the use and supply of false and/or misleading information, details of which are set out in the announcement of the Company dated 9 March 2012.

(b) On 15 February 2012, the Company received a writ of summons from Make Success (as plaintiff) (HCA 236/2012) who claimed against the Company and certain directors (as defendants) in relation to the placing agreement dated 6 January 2012, details of which were set out in the announcement of the Company dated 28 February 2012.

The Company is currently seeking legal advice in respect of the above actions and will make further announcement in due course as to any material development in connection with the above proceedings.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by the Group within the two years immediately preceding the date of the Offeror's Announcement of 18 January 2012 up to and including the Latest Practicable Date:

(a) the agreement dated 21 January 2010 entered into between Guangzhou Mayer Corporation Limited, a non-wholly owned subsidiary of the Company, as vendor and Taiwan Mayer, the ultimate controlling Shareholder, as purchaser in respect of the disposal of 50% issued share capital of Vietnam Mayer Company Limited (an indirect non wholly-owned subsidiary of the Company) ("**Vietnam Mayer**"), at a total consideration of US$2,100,000;

(b) the agreement dated 12 May 2010 entered in between Mei Kong Shih Ye Limited, a wholly-owned subsidiary of the Company, as vendor and China Life Insurance Co., Ltd., an independent third party of the Company, as purchaser in respect of the disposal of Durban Technology Park Phase VIII and the land situated at Land No. 14, Kuang Fu Sec., Hsinchu City, Taiwan, of which the Durban Technology Park Phase VIII is erected, at a total consideration of NT$1,230,000,000;

(c) the sale and purchase agreement dated 13 August 2010 entered into between Sunbeam Group Limited (新光集團有限公司), a wholly-owned subsidiary of the Company, as vendor and Taiwan Mayer, as purchaser, in respect of the disposal of Mei Kong Shih Ye Limited (美控實業股份有限公司), the then wholly-owned subsidiary of the Company, at a total consideration of NT$260,473,851;

(d) the loan agreement dated 13 September 2010 entered into between the Company and Glory World Development Limited pursuant to which the Company agreed to provide a loan of US$6,000,000 (equivalent to approximately HK$46,560,000) to the Glory World Development Limited at an interest rate of 1.5% per annum with repayment date on 14 September 2011;

(e) the loan agreement dated 13 September 2010 entered into between the Company and the Glory World Development Limited pursuant to which the Company agreed to provide a loan of US$3,000,000 (equivalent to approximately HK$23,280,000) to the Glory World Development Limited at an interest rate of 1.5% per annum with repayment date on 4 October 2011;

(f) the joint venture agreement dated 15 September 2010 entered into by the Company and Taiwan Mayer in relation to the formation of the Glory World Development Limited;

(g) the capital increase agreement dated 5 November 2010 entered into between Guangzhou Mayer Corporation Limited (a non wholly-owned subsidiary of the Company), Taiwan Mayer and Winner Industrial Corporation (a substantial shareholder of Vietnam Mayer) in respect of the increase of the charter capital of Vietnam Mayer of US$2,700,000 (equivalent to approximately HK$20,952,000);

(h) the sale and purchase agreement dated 8 November 2010 entered into between the Company and Make Success (as the vendor) in relation to the acquisition of entire issued capital of Yield Rise Limited for an aggregate consideration of HK$620,000,000;

(i) the loan agreement dated 23 November 2010 entered into between the Company and Glory World Development Limited pursuant to which the Company agreed to provide a loan of US$2,000,000 (equivalent to approximately HK$15,520,000) to the Glory World Development Limited at an interest rate of 1.5% per annum with repayment date on 22 November 2011;

(j) the two equity transfer agreements dated 7 December 2010 entered into between Top Force International Limited (as the vendor) and EI Dorado Global Investment Holdings Ltd. and Pearl Global Investment Holdings Ltd. (as the purchasers) for the transfer of equity interest in Capital Investment Development Corp from Top Force International Limited to the purchasers at an aggregate consideration of US$3,000,000;

(k) the capital increase agreement dated 28 January 2011 entered into between the Company and Taiwan Mayer;

(l) the sale and purchase agreement dated 21 November 2011 entered into between the Company and the CSGT International Corporation and Chung Mao Trading (Samoa) Corporation (as the purchasers) in relation to the disposal of entire issued share capital of Bamian Investments Pte. Limited, a wholly-owned subsidiary of the Company at a consideration of RMB184,814,541; and

(m) the placing agreement dated 6 January 2012 entered into between the Company and Finet Securities Limited as a placing agent in respect of placing of up to a total of 185,000,000 new Shares at a placing price of HK$0.11 per Share (as supplemented by the supplemental agreements dated 31 January and 29 February 2012).

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice in this Response Document:

Name	**Qualification**
Shenyin Wanguo	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Shenyin Wanguo has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter and/or report and references to its names in the form and context in which they are respectively included.

11. MISCELLANEOUS

The English text of this Response Document shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at 22/F, W Square, 314-324 Hennessy Road, Wanchai, Hong Kong during normal business hours on any Business Day for so long as the Offers remain open for acceptance during the period from the date of this Response Document up to and including the First Closing Date; and will also be available on the website of the SFC (http://www.sfc.hk) and the website of the Company (http://www.mayer.com.hk):

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

(b) the annual reports of the Company for the two years ended 31 December 2009 and 31 December 2010;

(c) the interim report of the Company for the six months ended 30 June 2011;

(d) a copy of the letter from the Board as set out in this Response Document;

(e) a copy of the letter from the Independent Board Committee as set out in this Response Document;

(f) a copy of the letter from Shenyin Wanguo as set out in this Response Document;

(g) the written consents as referred to in the section headed "Experts and Consents" in this Response Document;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this Response Document;

(i) the Amended Writ dated 6 March 2012 issued by the Company;

(j) a writ of summons dated 15 February 2012 issued by Make Success; and

(k) this Response Document.