美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors of Mayer Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 (the "Period").

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
			(Restated)
TURNOVER	*3*	**157,752**	409,301
COST OF SALES		**(146,509)**	(346,571)
GROSS PROFIT		**11,243**	62,730
Other revenue		**2,825**	6,007
Other net income		**278**	8,110
Valuation gain on investment property		**–**	88,377
Distribution costs		**(3,228)**	(5,308)
Administrative expenses		**(14,072)**	(17,618)
Other operating expenses		**(499)**	(4,024)
(Loss)/profit from operations		**(3,453)**	138,274
Finance costs	*4(a)*	**(2,343)**	(11,797)
(Loss)/profit before taxation	*4*	**(5,796)**	126,477
Income tax	*5*	**(2,486)**	(20,617)
(Loss)/profit for the period		**(8,282)**	105,860

	Note	Six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Attributable to:			
Equity shareholders of the Company		**(6,564)**	97,721
Minority interests		**(1,718)**	8,139
		(8,282)	105,860
INTERIM DIVIDEND	*6*	**–**	–
(Loss)/earnings per share	*7*		
Basic and diluted		**(RMB1.14 cents)**	RMB16.97 cents

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Note	At 30 June 2009 (Unaudited) RMB'000	At 31 December 2008 (Audited) RMB'000
Non-current assets			
Fixed assets			
– Investment property	*8*	**215,589**	215,589
– Other property, plant and equipment		**109,770**	113,759
		325,359	329,348
Prepaid lease payments		**7,861**	7,972
Available-for-sale financial assets		**21,398**	21,371
		354,618	358,691
Current assets			
Inventories		**32,528**	89,975
Trade and other receivables	*9*	**111,707**	126,199
Prepaid lease payments		**222**	222
Tax recoverable		**2,166**	3,905
Pledged bank deposits		**5,406**	5,578
Deposits with banks (maturity over 3 months)		**–**	980
Cash and cash equivalents		**97,413**	78,393
		249,442	305,252
Current liabilities			
Bank borrowings	*11*	**76,009**	139,458
Trade and other payables	*10*	**45,354**	53,217
		121,363	192,675
Net current assets		**128,079**	112,577
Total assets less current liabilities		**482,697**	471,268
Non-current liabilities			
Bank borrowings	*11*	**123,314**	104,683
Deferred tax liabilities		**8,565**	7,964
		131,879	112,647
NET ASSETS		**350,818**	358,621
CAPITAL AND RESERVES			
Share capital		**59,460**	59,460
Reserves		**230,980**	237,376
Total equity attributable to equity shareholders of the Company		**290,440**	296,836
Minority interests		**60,378**	61,785
TOTAL EQUITY		**350,818**	358,621

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2009

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 25 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by CCIF CPA Limited ("CCIF") in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 April 2009.

2. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*

The amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 40, *Investment property*, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five 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 primarily in Mainland China and Vietnam.

- Property investment: this segment leases office premises to generate rental income and to gain from the appreciation in the property's value in the long term. Currently the Group's investment property portfolio is located entirely in Taiwan.

- Investments: this segment invests in unlisted equity securities issued by private entities incorporated in Taiwan and Cayman Islands to generate dividend 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.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade creditors, accruals and bank 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, other than reporting inter-segment sales of steel products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes".

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding to the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Six months ended 30 June 2009					
	Steel		Property investment	Investments	Aircraft	Total
	China	Vietnam				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	145,385	3,644	4,324	–	4,399	157,752
Inter-segment sales	–	–	–	–	–	–
Reportable segment revenue	145,385	3,644	4,324	–	4,399	157,752
Reportable segment profit/ (loss)	(6,141)	(84)	3,490	10	2,925	200
Interest income	208	78	2	–	–	288
Interest expenses	1,075	4	1,133	–	–	2,212
Depreciation and amortisation	4,991	304	–	–	1,174	6,469
Reportable segment assets	301,545	27,335	218,456	21,427	24,094	592,857
Additions to non-current segment assets during the period	1,189	1,254	–	–	–	2,443
Reportable segment liabilities	89,961	938	139,813	–	–	230,712

	Steel		Property investment	Investments	Aircraft	Total
	Six months ended 30 June 2008 (Restated)					
	China	Vietnam				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	385,215	17,451	828	–	5,807	409,301
Inter-segment sales	221	–	–	–	–	221
Reportable segment revenue	385,436	17,451	828	–	5,807	409,522
Reportable segment profit/ (loss)	50,595	3,359	88,027	(2,222)	3,356	143,115
Interest income	1,068	145	2	35	–	1,250
Interest expenses	9,152	196	1,885	–	–	11,233
Depreciation and amortisation	5,211	149	–	–	1,119	6,479
Reportable segment assets	365,124	22,288	220,053	21,391	25,053	653,909
Additions to non-current segment assets during the period	3,844	9,114	194,604	–	–	207,562
Reportable segment liabilities	141,344	363	129,118	–	–	270,825

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**157,752**	409,522
Elimination of inter-segment revenue	**–**	(221)
Consolidated turnover	**157,752**	409,301

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit or loss		
Reportable segment profit derived from Group's external customers	**200**	143,115
Interest income	**10**	106
Depreciation	**–**	1
Finance costs	**(2,343)**	(11,797)
Unallocated head office and corporate expenses	**(3,663)**	(4,948)
Consolidated (loss)/profit before taxation	**(5,796)**	126,477

	At	At
	30 June	31 December
	2009	2008
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**592,857**	653,909
Unallocated head office and corporate assets	**11,203**	10,034
Consolidated total assets	**604,060**	663,943
Liabilities		
Reportable segment liabilities	**230,712**	270,825
Unallocated head office and corporate liabilities	**22,530**	34,497
Consolidated total liabilities	**253,242**	305,322

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings wholly repayable		
– within five years	**1,210**	9,912
– over five years	**1,133**	1,885
	2,343	11,797
(b) Staff costs		
Salaries, allowances and benefits in kind	**7,622**	9,240
Retirement scheme contributions	**794**	831
	8,416	10,071
(c) Other items		
Government subsidies	**–**	(1,000)
Auditors' remuneration – other services	**115**	60
Cost of inventories	**146,509**	346,571
Depreciation for property, plant and equipment	**6,358**	6,315
Amortisation of prepaid lease payments	**111**	165
Net loss on disposal of property, plant and equipment	**463**	400
Operating lease charges: minimum lease payments	**614**	717
Fair value loss on financial derivatives	**–**	796
Interest income	**(298)**	(1,356)
Reversal of impairment loss on trade and other receivables	**(55)**	–
Gross rental (income)/loss from investment property less direct outgoings of RMB725,000 (Six months ended 30 June 2008: RMB1,162,000)	**(3,599)**	334
Net foreign exchange loss/(gain)	**211**	(6,433)

Cost of inventories includes RMB7,171,000 (Six months ended 30 June 2008: RMB8,385,000) relating to staff costs, depreciation and operating lease charges for the six months ended 30 June 2009, which are also included in the respective amounts disclosed separately above or in note 4(c) for each type of expenses.

5. INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Current tax		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**–**	7,533
– Other jurisdictions	**157**	162
	157	7,695
Under/(over) provision in respect of prior years		
– Hong Kong	**–**	–
– PRC Enterprise Income Tax	**1,739**	–
– Other jurisdictions	**1**	–
	1,740	–
Deferred tax		
– Current year	**589**	12,922
	2,486	20,617

No Hong Kong Profits Tax has been provided for in the financial statements as the Group has no assessable profits for the period (Six months ended 30 June 2008: Nil).

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

6. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB6,564,000 (Six months ended 30 June 2008: profit of RMB97,721,000) and the weighted average of 576,000,000 ordinary shares (At 30 June 2008: 576,000,000 shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding for both periods presented.

8. INVESTMENT PROPERTY

The investment property of the Group carried at fair value of RMB215,589,000 (At 31 December 2008: RMB215,589,000) were revalued as at 30 June 2009 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 firm of surveyors, 泛亞不動產估價師事務所, being a member of the Republic of China Association of Real Estate Appraisers who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location and category of property being valued.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**100,080**	118,448
Less: Allowance for doubtful debts	**–**	(1,525)
	100,080	116,923
Other receivables	**1,329**	957
Less: Allowance for doubtful debts	**–**	(62)
	1,329	895
Amount due from a director	**11**	17
Amount due from a related company	**7,529**	7,025
Loan and receivables	**108,949**	124,860
Prepayments and deposits	**2,758**	1,339
	111,707	126,199

Trade debtors and bills receivable are net of allowance for doubtful debts of RMBNil (At 31 December 2008: RMB1,525,000) with the following age analysis as of the balance sheet dates:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Current – 30 days	**27,894**	39,702
31 – 60 days	**26,951**	15,412
61 – 90 days	**24,599**	22,897
91 – 180 days	**19,000**	37,110
Over 180 days	**1,636**	1,802
	100,080	116,923

Trade debtors are due within 30-180 days from the date of billing.

10. TRADE AND OTHER PAYABLES

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Trade payables	**4,512**	6,697
Other payables and accrued charges	**18,597**	23,456
Dividend payables	**566**	1,079
Amount due to directors	**72**	162
Amount due to minority shareholder	**–**	152
Amount due to ultimate holding company	**21,607**	21,285
Financial liabilities measured at amortised cost	**45,354**	52,831
Derivative financial instrument	**–**	386
	45,354	53,217

The following is an age analysis of trade payables as at the balance sheet dates:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Current – 30 days	**2,047**	2,195
31 – 60 days	**1,074**	1,539
61 – 90 days	**979**	862
91 – 180 days	**122**	1,847
Over 180 days	**290**	254
	4,512	6,697

11. BANK BORROWINGS

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Bank loans	**199,323**	244,141
Secured *(note (a))*	**164,260**	222,605
Unsecured *(note (b))*	**35,063**	21,536
	199,323	244,141

At the balance sheet dates, the bank borrowings are repayable as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Within 1 year or on demand	**76,009**	139,458
After 1 year but within 2 years	**18,747**	12,885
After 2 years but within 5 years	**14,998**	41,294
After 5 years	**89,569**	50,504
	123,314	104,683
	199,323	244,141

Note:

(a) The secured bank borrowings comprise:

(i) at 30 June 2009, approximately RMB128,313,000 (equivalent to approximately NTD616,000,000) from a bank is bearing interest rate at 2.5% per annum and secured by an investment property with carrying amount of approximately RMB215,589,000 and repayable by installments up to 3 June 2014.

at 31 December 2008, approximately RMB118,166,000 (equivalent to approximately NTD567,286,000) from a bank is bearing interest ranging from 2.3% to 2.4% per annum and secured by an investment property with carrying amount of approximately RMB215,589,000, bank deposit with carrying amount of approximately RMB1,458,000 (equivalent to approximately NTD7,000,000) and guarantee given by the Company and a director of the Company, Mr. Lai Yueh-hsing. The loan was fully repaid during the six months period ended 30 June 2009.

(ii) approximately RMB35,905,000 (equivalent to approximately USD5,255,000) (At 31 December 2008: approximately RMB97,573,000) from banks are bearing interest ranging from 1.7% to 4.0% per annum (At 31 December 2008: 2.3% to 6.0%) and repayable within one year and secured by the following:

– Prepaid lease payments with aggregate carrying amount of approximately RMB8,083,000 (At 31 December 2008: approximately RMB8,194,000);

– Building and factory premises with aggregate carrying amount of approximately RMB23,419,000 (At 31 December 2008: approximately RMB24,376,000);

– Plant and machinery with aggregate carrying amount of approximately RMBNil (2008: approximately RMB34,816,000);

– Guarantee given by the Company.

(iii) approximately RMB42,000 (equivalent to approximately VND105,228,000) from a bank is bearing interest rate at 10.4% per annum and secured by plant and machinery with aggregate carrying amount of approximately RMB3,572,000 (equivalent to approximately VND8,938,664,000) and construction-in-progress with aggregate carrying amount of approximately RMB15,341,000 (equivalent to approximately VND38,400,452,000) and repayable on 7 September 2009.

(iv) at 31 December 2008, approximately RMB6,866,000 (equivalent to approximately USD1,000,000) from a bank is bearing interest rate at 4.0% per annum and secured by a bank deposit with aggregate carrying amount of approximately RMB4,120,000 (equivalent to approximately USD600,000) and guarantee given by the Company and certain subsidiaries. The loan was fully repaid during the six months period ended 30 June 2009.

(b) The unsecured bank borrowings of approximately RMB35,063,000 (equivalent to approximately USD5,132,000) (At 31 December 2008: approximately RMB21,536,000) from banks were unsecured, unguaranteed, bearing interest ranging from 0.6% to 1.8% per annum (At 31 December 2008: 5.5% to 6.4%) and repayable within one year.

12. COMMITMENTS

(a) Capital commitments outstanding at the balance sheet dates not provided for in the interim financial report were as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Contracted for		
– Payment for construction in progress	**40**	–

(b) At the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Within 1 year	**824**	1,376
After 1 year but within 5 years	**217**	630
	1,041	2,006

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

(c) At the balance sheet dates, the total future minimum lease receivables under non-cancellable operating leases in respect of aircrafts and investment property are as follows:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Within 1 year	**16,495**	15,962
After 1 year but within 5 years	**24,864**	30,705
	41,359	46,667

13. PLEDGE OF ASSETS

At the balance sheet dates, the following assets of the Group are pledged to banks for the banking facilities and loans granted to the Group:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Building and factory premises	**23,419**	24,376
Construction in progress	**15,341**	7,656
Plant and machinery	**3,572**	34,816
Investment property *(note)*	**153,975**	153,976
Prepaid lease payments	**8,083**	8,194
Pledged bank deposits	**5,406**	5,578
	209,796	234,596

Note: The pledged amount of the investment property is limited to 120% (At 31 December 2008: 120%) of the amount of banking facilities granted to the Group.

14. MATERIAL RELATED PARTY TRANSACTIONS

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:

(a) 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 non-executive director of the Company, has beneficial interest, regarding the leasing of four aircrafts and the provision of consultancy services by ROC to Daily Air for a term of three years commencing from 1 May 2006 to 30 April 2008 in consideration of rental income and consultancy fee income. On 6 May 2008, the lease agreement was further extended to 7 June 2011 with rental income and consultancy fee income remain unchanged. At the balance sheet dates, RMB7,529,000 (At 31 December 2008: RMB7,025,000) is due from this related company (note 9). Total amounts received during the period are disclosed in (d) below.

(b) On 13 April 2007, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), a 81.4% indirectly owned subsidiary of the Company, entered into the Raw Material Purchase Agreement with Mayer Steel Pipe Corporation ("Taiwan Mayer"), the ultimate holding company, for the acquisition of raw materials from Taiwan Mayer for the period commencing from 1 April 2007 to 31 March 2010. The directors of the Company expect that the maximum amount of raw material purchase for the three years ending 31 March 2010 will be in the amounts of approximately 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.

Further 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 directors of the Company expect that the maximum amount of raw material purchase for the period ending 31 December 2009 will be in the amount of approximately USD1,560,000 (equivalent to approximately RMB10,723,000) and the two years ending 31 December 2011 will be in the amounts of approximately USD2,340,000 (equivalent to approximately RMB16,080,000) and USD2,340,000 (equivalent to approximately RMB16,080,000) respectively.

On the same date, Guangzhou Mayer entered into a Finished Goods Sale 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 directors of the Company expect that the maximum amount of finished goods sales for the period ending 31 December 2009 will be in the amount of approximately USD1,837,000 (equivalent to approximately RMB12,626,000) and the two years ending 31 December 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.

During the period, Guangzhou Mayer has purchased raw materials from Taiwan Mayer of approximately RMB3,362,000 (Six months ended 30 June 2008: RMBNil) at terms similar to those charged by independent third party suppliers.

(c) At 31 December 2008, a personal guarantee was given by Mr. Lai Yueh-hsing, a director of the Company, to a bank for banking facilities granted to the Group.

The guarantee was released on 5 June 2009 when the Group fully repaid the bank borrowings.

(d) In addition to the transactions and balances disclosed elsewhere in the interim financial report, 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*	**Amount paid to/(received from) the related parties Six months ended 30 June**	
				2009	2008
				RMB'000	*RMB'000*
Lo Haw and his spouse	Family member of director of the Company	Rental paid	(i)	**60**	60
Daily Air	Common director	Rental income	(ii)	**(4,018)**	(4,149)
		Consultancy fee income	(ii)	**(172)**	(161)
		Consumable stock sales	(ii)	**(381)**	(1,119)

Note:

(i) The rental which was paid for premises owned by Mr. Lo Haw and his spouse was determined with reference to the prevailing market rental.

(ii) Mutually agreed by the parties concerned.

15. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

In addition, as a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

For the six months ended 30 June 2009, the Group reported consolidated turnover of RMB157,752,000, representing a decrease of 61.46% compared to the same period last year's RMB409,301,000. Gross profit margin was 7.13% compared to the same period last year's 15.33%. Net loss attributable to equity shareholders was RMB6,564,000, compared with the same period last year's net profit attributable to equity shareholders of RMB97,721,000. Loss per share for the Period was RMB1.14 cents versus the same period last year's earnings per share of RMB16.97 cents.

Business Review

The national economy of the PRC is continually impacted by the economic slowdown. The decrease in market demand and overall prices of steel products has been dropped in the first half of 2009, causing extreme difficulties to the steel business segment. From January to June, management took measures under the steel business segment and immediately reduced costs, enhanced efficiency and adjusted its marketing strategy for the purpose of easing the current operating pressure.

The Group's steel business segment has recorded a reportable segment loss of RMB6,225,000 for the period. During the Period, the Group sold approximately 28,966 tonnes of steel products, representing 47.86% decrease from approximately 55,560 tonnes for the same period last year. The average selling price of the Group's steel products during the Period decreased by approximately 30% compared with that for the same period last year.

The Group's property investment business segment in Taiwan has recorded a reportable segment profit of RMB3,490,000 for the Period. The Group's investment property was valued as at 30 June 2009 by an independent property valuer, 泛亞不動產估價師事務所, being a member of the Republic of China Association of Real Estate Appraisers.

As at 30 June 2009, the property is approximately 80% rented out and given the current market condition of Taiwan, the Group is satisfied with its investment into this property.

Production and Sales

The revenue from indirect export sales of steel products in the PRC and Vietnam during the Period was approximately RMB120,024,000, representing a decrease of approximately 62.34% compared with approximately RMB318,726,000 for the same period last year. The market for indirect export sales in the PRC and Vietnam continued to be the core market for the Group's steel segment.

The revenue from domestic sales of steel products in the PRC during the Period was approximately RMB29,005,000, representing a decrease of approximately 65.45% compared with approximately RMB83,940,000 for the same period last year.

Rental income and sales of parts from aircrafts leasing during the Period was approximately RMB4,399,000 of which creates a stable stream of income for the Group.

Gross Profit

The Group recorded a gross profit of approximately RMB11,243,000 for the Period, with a gross profit margin of approximately 7.13%, compared with the gross profit of approximately RMB62,730,000 and gross profit margin of approximately 15.33% for the same period last year.

This was mainly attributable to the decrease of the selling prices and demand of our products during the economic slowdown.

Operating Expenses

The total operating expenses of the Group for the Period were approximately RMB17,799,000 of which approximately RMB3,228,000 in distribution costs, RMB14,072,000 in administrative expenses, RMB499,000 in other operating expenses, accounting for approximately 2.05%, 8.92% and 0.32% of turnover, respectively, while the amounts for the same period last year were approximately RMB5,308,000, RMB17,618,000 and RMB4,024,000 respectively, accounting for approximately 1.30%, 4.30% and 0.98%, respectively.

Finance Costs

During the Period, the Group incurred RMB2,343,000 in finance costs, compared to same period last year of RMB11,797,000. The Group relied on bank borrowings to finance its trading activities.

Financial Resources and Treasury Policies

The Group continues to adhere to prudent treasury policies.

As at 30 June 2009, the Group had bank deposits and cash balances, including pledged bank deposits of approximately RMB102,819,000, of which bank deposits of approximately RMB5,406,000 were pledged to secure financing facilities granted to the Group.

The Group had net current assets of approximately RMB128,079,000 as at 30 June 2009 as compared with RMB112,577,000 as at 31 December 2008. The current ratio (current assets divided by current liabilities) improved and changed to approximately 2.06 as of 30 June 2009 from 1.58 as at 31 December 2008. The Group continued to insure against receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

The Group had a total of approximately RMB795,186,000 financing facilities from banks were available, of which approximately RMB199,323,000, mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars with floating interest rates, had been drawn down to finance the Group's working capital purposes, capital expenditures and for other acquisition opportunities.

The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to equity shareholders of the Company) plus net debt.

The gearing ratio as of 30 June 2009 was approximately 24.9% while it was 34.9% as of 31 December 2008.

Cash Flow

For the Period, the Group generated net cash inflow of RMB67,310,000 from its operating activities, as compared to net cash inflow of approximately RMB92,222,000 in the same period last year. The decrease in net cash inflow from operating activities was primarily due to the decrease in Group's revenue during the Period.

Net cash outflow of approximately RMB988,000 was from investing activities for the Period, mainly resulted from the Group's capital expenditures. Net cash outflow of approximately RMB47,366,000 was from financing activities.

Bank deposits and cash balances as at 30 June 2009 amounted to approximately RMB102,819,000, mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars.

Exchange Rate Exposures

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

Charge on Assets

As at 30 June 2009, building and factory premises, construction in progress, plant and machinery, investment property and prepaid lease payments of the Group with net book value or carrying amount of approximately RMB23,419,000, RMB15,341,000, RMB3,572,000, RMB153,975,000 and RMB8,083,000 respectively and bank deposits of approximately RMB5,406,000 were pledged to banks for securing banking and other financing facilities granted to the Group. These financing facilities had been utilised to the extent of approximately RMB164,260,000 at the balance sheet date.

Contingent Liabilities

As at 30 June 2009, the Group had no significant contingent liabilities. As at 30 June 2009, the Company had provided corporate guarantees of RMB105,881,000 in favour of certain banks for financing facilities granted to subsidiaries. These financing facilities had been utilised to the extent of approximately RMB34,160,000 as at 30 June 2009.

Employment, Training and Development

As at 30 June 2009, the Group had a total of 280 employees. Total staff costs for the Period were approximately RMB8,416,000, including retirement benefits cost of approximately RMB794,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

Outlook

Looking forward to the second half of 2009, the imbalance between demand and supply in the steel sector will continue and the prices of steel products will still remain at a relatively unstable in moderate terms. Along with the global market is likely to be continually affected by the global economic slowdown. We expect that the rise in operating costs, oil prices and interest rate drops will continue, and the increasingly intense market competition will present more challenges to the Group's operation.

As the general expectation, Taiwan's economic growth will surge in the next few years following its governmental and economic reforms, plentiful opportunities will appear. The Group is determined to capitalise these opportunities arising from the growth of Taiwan, together with the growth in the PRC and other countries.

With the PRC fiscal and monetary policies continue to relay and roll out to help balancing the demand and supply of the domestic market, we are confident that the recovery will pick up again. The Group's management is confident that the Group will fully capitalise its extensive experience in cost management and achieve greater cost effectiveness, increased output of high value-added products and welcome to every investment opportunity around the world which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

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

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

INTERIM DIVIDENDS

No dividend was paid during the period of six months ended 30 June 2009. The directors do not recommend the payment of an interim dividend for the Period.

AUDIT COMMITTEE

The Audit Committee was established on 24 March 2004 and is comprised of three independent non-executive directors. Mr. Huang Jui-hsiang is the chairman of the Audit Committee.

The Committee is primary responsible for reviewing and monitoring the reporting, accounting, financial and control aspects of the executive management's activities. Written terms of reference in compliance with the Listing Rules have been adopted for the Audit Committee.

The interim financial report of the Company for the six months ended 30 June 2009 has been reviewed by the Audit Committee. At the request of the directors, the interim financial statements have also been reviewed by our auditors, CCIF CPA Limited, in accordance with Statement of Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

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

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

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

NOMINATION COMMITTEE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Period, except for the code provisions (i) A.2.1 whereas there is no separation of the role of Chairman and Chief Executive Officer. Mr. Hsiao Ming-chih currently assumes the role of both the Chairman and the Chief Executive Officer; and (ii) A.4.1 whereas all non-executive directors of the Company are not appointed for a specific term as they are subject to retirement and rotation in accordance with the Company's articles of association.

BOARD COMPOSITION

As at the date of this announcement, the executive directors of the Company are Mr. Hsiao Ming Chih, Mr. Lai Yueh-hsing, Mr. Lo Haw, Mr. Cheng Dar-terng, Mr. Chiang Jen-chin and Mr. Lu Wen-yi; the non-executive director of the Company is Mr. Huang Chun-fa; and the independent non-executive directors of the Company are Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu respectively.

By Order of the Board
Hsiao Ming Chih
Chairman

Hong Kong, 25 September 2009

* *For identification purposes only*