美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1116)

Annual Report 2014

* *For identification purpose only*

Contents

DIRECTORS

Executive Directors

Mr. Lee Kwok Leung *(Chairman)*
Mr. Xu Lidi
Mr. Lin Jinhe

Non-executive Directors

Mr. Wang Dongqi

Independent Non-executive Directors

Mr. Ng Cheuk Lun
Mr. Lau Kwok Hung
Mr. Deng Shimin

AUDIT COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*
Mr. Ng Cheuk Lun
Mr. Deng Shimin

REMUNERATION COMMITTEE

Mr. Lee Kwok Leung *(Chairman)*
Mr. Deng Shimin
Mr. Lau Kwok Hung
Mr. Ng Cheuk Lun

NOMINATION COMMITTEE

Mr. Ng Cheuk Lun *(Chairman)*
Mr. Deng Shimin
Mr. Lau Kwok Hung

COMPANY SECRETARY

Mr. Leung Kwok Fai Ben Rich

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

PRINCIPAL REGISTRAR

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House,
Cricket Square,
Grand Cayman KY1-1001,
Cayman Islands

BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited
46/F Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

REGISTERED OFFICE

PO Box 309GT, Ugland House,
South Church Street, George Town,
Grand Cayman, Cayman Islands,
British West Indies.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor,
No. 88 Lockhart Road,
Wan Chai,
Hong Kong

STOCK CODE

1116

EXECUTIVE DIRECTORS:

Mr. Lee Kwok Leung ("Mr. Lee")

Mr. Lee, aged 60, was nominated and appointed as an executive Director and the chairman of the Board by the Shareholders on 9 October 2014. Mr. Lee has also been a member of the nomination committee of the Board, an authorized representative and a director of various subsidiaries of the Company. Mr. Lee has approximately 23 years of experience in asset management for professional and institutional investors. Mr. Lee has extensive experience in portfolio construction, portfolio management, risk assessment and investment due-diligence. Mr. Lee was a Managing Director of BOCI Direct Management Limited from 1992 to 1999, when he was responsible for the overall management of the private equity fund. Mr. Lee is a responsible officer of Success Talent Investments Limited, a Type 9 regulated entity registered with the Securities and Futures Commission of Hong Kong. Mr. Lee is currently an executive director of Opes Asia Development Limited (stock code: 00810), an independent non-executive director of Imperial Pacific International Holdings Limited (formerly known as First Natural Foods Holdings Limited, stock code: 01076), and was a non-executive director of Jimei International Entertainment Group Limited (stock code: 01159) until 31 August 2013, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lee is also the sole and ultimate beneficial owner of Capital Wealth Finance Company Limited, a licensed money lender under the Money Lenders Ordinance of Hong Kong.

Mr. Xu Lidi ("Mr. Xu")

Mr. Xu, aged 49, was nominated and appointed as an executive Director by the Shareholders on 9 October 2014. Mr. Xu is also a director in a number of subsidiaries of the Company, including Guangzhou Mayer. Mr. Xu obtained a Doctoral Degree in Business Administration from Beijing Normal University and a Doctor of Philosophy Degree (PhD) in Economics from Nueva Ecija University of Science and Technology. Mr. Xu has been a visiting-professor of the Economic and Business and Administration (MBA) at Beijing Normal University. Prior to that, Mr. Xu worked at China Construction Bank and Bank of China for many years. Mr. Xu had also been a senior management of China Rural Development Trust & Investment Corporation, and other financial and business corporations in the PRC. Mr. Xu has more than 25 years of experience in the sectors of banking, financial, industry and commerce. Mr. Xu was an executive director of Rosan Resources Holdings Limited (Hong Kong main board listing stock code: 00578, formerly known as China CBM Group Limited and Dynamic Energy Holdings Limited) and a non-executive director of Australian Natural Proteins Limited (ASX stock code: AYB), the shares of which is listed on the Australian Stock Exchange Limited ("ASX").

Mr. Lin Jinhe ("Mr. Lin")

Mr. Lin, aged 36, was nominated and appointed as an executive Director by the Shareholders on 9 October 2014. Mr. Lin had once been an authorized representative of the Company and a director of one wholly-owned subsidiary of the Company. Mr. Lin has over 14 years of management experience in papermaking industry. Mr. Lin graduated from Beijing Forestry University majoring in pulp and paper manufacturing in 2001.

Mr. Hsiao Ming-chih ("Mr. Hsiao")

Mr. Hsiao, aged 55, was re-designated as an executive Director and the chairman of the Board on 19 December 2008. Mr. Hsiao holds a Bachelor degree in commerce from the accounting faculty of the Tung Hai University. Mr. Hsiao was the general manager of Taiwan Mayer and a director of Fullchamp Technologies Co., Ltd. Mr. Hsiao retired from his position as the chairman of the Board and the chief executive officer of the Company with effect from 12 March 2014. Mr. Hsiao was removed from the Board on 9 October 2014.

Mr. Lai Yueh-hsing ("Mr. Lai")

Mr. Lai, aged 57, an executive Director who was responsible for the overall corporate strategy and planning of the Group. Mr. Lai holds a bachelor degree in corporate management from Tamkang University. Mr. Lai was the general manager of Durban Development Co., Limited. With effect from 12 March 2014, Mr. Lai was appointed as the chairman of the Board and the chief executive officer of the Company. Mr. Lai was removed from the Board on 9 October 2014.

Mr. Lu Wen-yi ("Mr. Lu")

Mr. Lu, aged 64, graduated and received from the National Chung Hsing University a bachelor degree in laws in 1973. Prior to his appointment as Director, Mr. Lu had over 25 years of experience in real estate development and over 8 years of experience in biotechnology industry. Mr. Lu was the chief executive officer of High Sierra Biotech LLC. and the general manager of 蘇州安佑科技有限公司. Mr. Lu was removed from the Board on 9 October 2014.

Mr. Chiang Jen-chin ("Mr. Chiang")

Mr. Chiang, aged 48, an executive Director who was responsible for the financial activities of the Group. Mr. Chiang had over 20 years of experience in the steel pipe and sheet industry. Mr. Chiang had been the manager to the general manager office and the manager of the finance department of Mayer Steel Pipe Corporation. Mr. Chiang was removed from the Board on 9 October 2014.

Mr. Xue Wenge ("Mr. Xue")

Mr. Xue, aged 44, had been appointed as an executive Director with effective from 30 June 2011. Mr. Xue holds a master degree in criminal justice in the East China University of Political Science and Law and has over 14 years of experience in the field of jurisdiction and law. Mr. Xue has been a tribunal director of People's Court in Lishu District, Jixi City, Heilongjiang, qualified lawyer of Heilongjiang Tianfu Law Firm Shanghai Branch and the chief lawyer of Zhejiang Xintaizhou Law Firm Shanghai Branch. Mr. Xue worked as a chief lawyer of Shanghai Junjin Law Firm since 2009. Mr. Xue was removed from the Board on 9 October 2014.

NON-EXECUTIVE DIRECTORS:

Mr. Li Deqiang ("Mr. Li")

Mr. Li, aged 51, graduated from Chang Chun School of Geology in 1983 with a diploma in geology and is the qualified geological engineer. Mr. Li has 27 years extensive experiences in geological and minerals resources exploration industry. Mr. Li had been the technician in the Bureau of Geology and Minerals Resources Exploration, Liaoning Province. Mr. Li had ceased to be a Director with effect from 7 April 2017.

Mr. Wang Dongqi ("Mr. Wang")

Mr. Wang, aged 42, had been appointed as non-executive Director with effect from 9 August 2017. Since 14 February 2017, Mr. Wang has been a director of Guangzhou Mayer. Mr. Wang had served in the navy of the PRC; thereafter, Mr. Wang has worked in various corporations in the sectors of logistics, trading and investment in China, accumulating more than twenty years extensive working experience in corporate administration and finance management with a powerful friend-sourcing network.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lau Kwok Hung ("Mr. Lau")

Mr. Lau, aged 67, was appointed as an independent non-executive Director by the Board on 9 October 2014. Mr. Lau is also the chairman and a member of the audit committee and remuneration committee of the Board respectively. Mr. Lau is a certified public accountant in Hong Kong and has extensive experience in financial accounting, auditing, taxation, company secretarial matter and corporate finance, especially in mergers, acquisitions and corporate restructuring. Mr. Lau is a fellow of the Hong Kong Institute of Certified Public Accountants, and formerly, was a fellow of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He also obtained a Specialist Qualification (SQ) in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and a Diploma in International Business Valuation. Mr. Lau is currently an independent non-executive director of Huaxi Holdings Company Limited (stock code: 01689) and was an Executive Director and company secretary of Neptune Group Limited (stock code: 00070, formerly known as Mandarin Resources Corporation Limited and subsequently Massive Resources International Corporation Limited), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Ng Cheuk Lun ("Mr. Ng")

Mr. Ng, aged 37, was nominated and appointed as an independent non-executive Director by the Shareholders on 9 October 2014. Mr. Ng is also the chairman of the remuneration committee, a member of the audit committee and nomination committee of the Board. Mr. Ng is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ng has extensive experience in financial reporting for listed companies and public securities offering and mergers and acquisitions in Hong Kong and abroad. Mr. Ng is currently a practicing accountant at MN CPA Limited. Prior to joining MN CPA Limited, Mr. Ng worked at notable international accounting firms as well as multinational corporations in Hong Kong and Australia for over 13 years.

Mr. Deng Shimin ("Mr. Deng")

Mr. Deng, aged 56, was appointed as an independent non-executive Director by the Board on 19 April 2016. Mr. Lau is also a member of the audit committee and remuneration committee of the Board. Mr. Deng graduated from the Zhengzhou University with a Bachelor Degree in Economics in 1983. Mr. Deng holds a Master's Degree in LLM awarded by the China University of Political Science and Law in 1997 and a PhD in Economics awarded by the Renmin University of China in 2003. Mr. Deng has extensive working experience and supervision in the financial industry. Mr. Deng was appointed as the President of the respective branches of the Bank of Communications in Zhengzhou and Tianjin during the years from 1991 to 2000. He was appointed as the Vice Chairman of China Everbright Bank Co., Ltd. in 2001. He was also the Chairman of the Board of Supervisors of China Everbright Securities Co., Ltd. (SHA: 601788) during the years from 2002 to 2003. Mr. Deng was the Vice President of the 5th and 6th Henan Institute of Finance, the 7th CPPCC member and executive director of China Youth Entrepreneurs Association and the committee member of the 7th People's Political Consultation Committee of Henan Province. Currently in Australia, Mr. Deng is the beneficial owner of J & K Exports Pty Limited and JSMD Investments Pty Limited, and the chairman of The Federation of Henan Chamber of Commerce Australia Incorporated.

Mr. Huang Jian Wei ("Mr. Huang")

Mr. Huang, aged 68, had been appointed as an independent non-executive Director and a member of the Audit Committee of the Board on 12 March 2015. Mr. Huang graduated from Tai Yuan Engineer College in China in 1970. He has extensive experience in business operations of the commercial bank and investment bank, in particular in the international finance and capital market. Mr. Huang has worked for national banks, private banks and private investment companies for many years in China. Mr. Huang had ceased to be a Director on 19 April 2016.

Ms. Li Shan Mui, Janice ("Ms. Li")

Ms. Li, aged 40, was nominated and appointed as an independent non-executive Director by the Shareholders on 9 October 2014. Ms. Li resigned as an independent non-executive Director and was appointed by the Board as the company secretary of the Company, both with effect from 16 December 2014. Ms. Li graduated from University of Hertfordshire, United Kingdom with a degree of Bachelor of Arts in accounting. Ms. Li is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a member of The Taxation Institute of Hong Kong and Certified Tax Adviser, Hong Kong. Ms. Li has over 11 years of experience in auditing, accounting, budgeting, financial analysis in local and international companies, and has over 6 years of experience in company secretarial, corporate governance and finance in listed company. Ms. Li was the company secretary of Global Energy Resources International Group Limited (Stock Code: 08192), the shares of which is listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Lin Sheng-bin ("Mr. Lin")

Mr. Lin, aged 50, holds a Master degree in Finance from National Chung-Cheng University. Mr. Lin has worked as the section staff member, commissioner, auditor and the supervisor of the Team 1 (Governance of Public Companies) of Regulatory Commission for Securities and Futures, under the Finance Ministry of Taiwan and the supervisor of Team 7 (Futures) under First Taiwan Securities Inc. Mr. Lin has been the executive vice president of Sinopac Securities Corp. and a director in Giga Trend International Venture Investment Corp. and Gigawin International Venture Investment Corp. Mr. Lin was removed from the Board on 9 October 2014.

Mr. Huang Jui-hsiang ("Mr. Huang")

Mr. Huang, aged 54, obtained a master degree in accountancy from the National Chengchi University. Mr. Huang has over 17 years of experience in the accounting field. Mr. Huang had worked as the assistant manager in the audit services department of KPMG in Taiwan. Mr. Huang was removed from the Board on 9 October 2014.

Mr. Alvin Chiu ("Mr. Chiu")

Mr. Chiu, aged 54, graduated from the University of Southern California, USA in 1983 majoring in economics. Mr. Chiu has extensive commercial and retail banking experience in the USA. Mr. Chiu had worked as the vice president and branch manager of First Central Bank in Los Angeles, California, USA for eight years. Mr. Chiu has been the managing director of Pacific Links Group Limited and Pacific Connections Group Limited. Mr. Chiu has experience in China trades, importation and wholesale industries. Mr. Chiu is also involved in the contract manufacturing, electronics and original equipment manufacturing (so-called "OEM") assembly business in Greater China. Mr. Chiu was removed from the Board on 9 October 2014.

COMPANY SECRETARY

Mr. Chan Lai Yin Tommy (Mr. Chan)

Mr. Chan was also the financial controller and qualified accountant of the Group and a member of the senior management of the Company in the Year. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in audit and accounting field. Prior to joining the Company, Mr. Chan held the posts of financial controller and company secretary of another listed company in Hong Kong. Mr. Chan's employment with the Company and his office of company secretary in the Company ended on 9 October 2014.

Mr. Leung Kwok Fai Ben Rich ("Mr. Leung")

Mr. Leung had been appointed as the company secretary and the authorised representative of the Company with effect from 9 August 2017. Mr. Leung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, United Kingdom. Mr. Leung has over 25 years of working experience in audit, accounting, corporate finance as well as listing compliance issues with public companies listed in Hong Kong. Since 2009, Mr. Leung has been the company secretary and the authorised representative of China Health Group Inc. (formerly known as Venturepharm Laboratories Limited, HK stock code: 08225), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company does not have a separate chairman and chief executive officer and Mr. Lee Kwok Hung has been both the Chairman and chief executive officer of the Company. Given the Company's current stage of development, the Board considers that vesting the roles of Chairman and chief executive officer in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

On behalf of the board of directors of Mayer Holdings Limited (the "Board"), I hereby present the audited results of Mayer Holdings Limited and its subsidiaries (the "Company" and collectively, the "Group") for the year ended 31 December 2014 (the "Year").

CHANGE OF BOARD

Aspial Investment Limited and Bumper East Limited (collectively, the "Requisitionists") deposited a requisition notice at the principal office of the Company in Hong Kong on 22 August 2014, requesting the Company to convene two extraordinary general meetings in pursuant to article 68 of the articles of association of the Company (the "Requisition"). The Requisitionists collectively hold an aggregate of 200,000,000 shares of the Company, representing approximately 21.56% of the issued share capital of the Company. However, the Company claimed that it could not confirm the validity of the Requisition. Since the Requisitionists had not received any response from the previous Board indicating that the Company would proceed to convene the extraordinary general meetings as duly requested in the Requisition, the Requisitionists exercised their shareholders' rights as stipulated in the articles of association of the Company and eventually convened the requested two extraordinary general meetings by themselves on 9 October 2014 (the "Two EGMs"). An entirely new Board was formed by the voting results of the Two EGMs. Furthermore, the change of the Board as a result of the Two EGMs had been confirmed and ratified by the resolutions duly passed at another extraordinary general meeting of the Company held on 10 August 2015. Since then, the new Board officially took over the actual control of the Company.

PROGRESS OF RESUMPTION

The shareholders of the Company (the "Shareholders") have been duly informed that the trading of the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") had been suspended on 9 January 2012 pending the publication of announcements by the Company which was of price-sensitive in nature.

The most urgent task for the new management of the Group, which had been developed by the end of the Year, is the publication of all outstanding financial results for the last four years. Right after the effective change of the Board took place on 9 October 2014, the new Board has started to liaise with the current management of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), the only active operating subsidiary of the Company which had contributed approximately 98% of the revenue of the Group for the year ended 31 December 2010, for the arrangement of auditing works. Without the cooperation of Guangzhou Mayer, the Company is unable to proceed the Group's audits for the past four years and subsequently, the suspension of the trading of the Shares on the Stock Exchange continues. By the end of the Year, regardless of our justifiable demands, Guangzhou Mayer still refused to give the Company a fixed timetable for the Company's auditors to commence the auditing works over the accounts of the last four years.

FINANCIAL SITUATION

As disclosed in the Company's announcement dated 8 October 2014, the Company has incurred considerable monthly operating expenses for which the Company does not have sufficient fund to settle as due. The Company is currently involved into various court proceedings for which the Company has estimated a monthly average of approximately HK$1,500,000 legal expenses to be incurred for the Company to pursue or to defend a number of the legal proceedings over an estimated period of about three years, amounting to a total sum of HK$50 million or more until trials in courts. In addition, the Company is also indebted for the outstanding principals of alleged loans of HK$5,500,000 and HK$10,000,000. The previous Board had admitted that the Company was facing a serious insolvency problem which was crucial and imminent. Through lengthy negotiations, bargaining, extensions of payments due and injection of new funding, the tension of the insolvency crisis has been mitigated soon after the new Board took physical control of the Company's local office at the end of 2014.

LOOKING FORWARD

2014 is an unquestionably challenging year for all members of the new Board in winning the control of the Company and since then, more challenging responsibilities have to be assumed to help the Company back on its right track. The new management of the Group starts to deal with a number of serious problems that hinder the Company in the attempts for applying the resumption of the trading of Shares on the Stock Exchange, including numerous legal proceedings in different countries and regions, the working capital hardship, the management control of Guangzhou Mayer, and most importantly, the publication of the Group's outstanding financial results over the last four years. The list of problems elongates by the days with the urgency for proper solutions. Notwithstanding the encounters with uncountable difficulties along the road to resumption, the new management of the Group is determined to overcome the resistance force from all possible aspects.

APPRECIATION

On behalf of the Group, I hereby express our sincere gratitude to all our staff and the external professional parties for their incredible support in the formation of the new Board as well as the confrontations with hostile legal challenges and illegal occupation of Guangzhou Mayer along the way of resumption during the Year.

By order of the Board

Lee Kwok Leung
Chairman

REVIEW OF RESULTS

For the year ended 31 December 2014, the Group reported consolidated revenue of approximately RMB541,360,000 representing decrease of 3.5% over last year. Gross profit margin was 8.6% compared to last year's 8.3%. Loss attributable to owners of the Company was approximately RMB13,801,000, compared with last year's profit of approximately RMB3,601,000. Loss per share for the year was RMB1.49 cents versus last year's profit per share RMB0.39 cents.

BUSINESS REVIEW

The primary business focus for the new management of the Company in the year of review is the removal of the former directors of the Company (the "Directors"), the appointments of new Directors and to publish all outstanding financial results. The Company had found that the local management of Guangzhou Mayer might have used forgery documents in connection with the 2013 shareholders' meeting of Guangzhou Mayer on 20 December 2013. Therefore, the Company is seeking further legal advice in relation to the matters and made public statement to reserve all its rights against the local management of Guangzhou Mayer.

Up to the date of this report, the only active operating subsidiary of the Company is still Guangzhou Mayer, which is a manufacturer and distributor of steel pipes, steel sheets and other metal products in the People's Republic of China (the "PRC"). The market territories of Guangzhou Mayer include the domestic sales of the steel products in the PRC and the indirect export distribution. The Company indirectly holds 81.4% equity interest in Guangzhou Mayer through Bamian Investments Pte Limited, a direct wholly-owned subsidiary of the Company incorporated in Singapore. The Group's effective interest in Guangzhou Mayer is 81.4%.

On 9 May 2011, the Company had acquired the entire issued share capital of Yield Rise Limited ("Yield Rise") at the total consideration of HK$620 million from Make Success Limited ("Make Success"), the vendor. Yield Rise controls the right to develop a designed port and certain real estate projects in the Dan Tien Port of Vietnam. However, the Company subsequently discovered that it was induced into the acquisition transaction by the misrepresentations made by Make Success and its accomplices; therefore, the Company commenced legal proceedings in the High Court of Hong Kong under action number of HCA64 of 2012 against Make Success and other allegedly related parties ("HCA64/2012"). Other than the HCA64/2012 case, the Company is also currently involved into various court proceedings which are still pending at the date of this report. The progress and the latest updates of the HCA64/2012 case and those legal proceedings, together with all other material information of the Company, had been disclosed in details by the Company's prompt announcements during the financial year under review.

On or about 21 August 2014, Capital Wealth Finance Company Limited ("Capital Wealth") and Bumper East Limited ("Bumper East") issued a notice to the Company requisitioning two extraordinary general meetings (the "Requested EGMs") for removing all of the existing Directors (except Mr. Li Deqiang) and appointing new Directors. In the absence of any verifiable credentials provided by both conveners, the Company claimed that it could not confirm if the requisition notice for convening the Requested EGMs was valid. Upon the rejection of convening the Requested EGMs by the Company, Capital Wealth and Bumper East convened the Requested EGMs on 9 October 2014 without the participation of the former management of the Company (the "2014 EGMs"). The details of the 2014 EGMs and the poll results concluded therefrom had been disclosed in the Company's three announcements posted on 16 January 2015. Thereafter, the resolutions passed in the 2014 EGMs had been confirmed and ratified by another extraordinary general meeting of the Company convened on 10 August 2015.

PRODUCTION AND SALES

The revenue from indirect export sales of steel products in the PRC during the year was approximately RMB306,872,000, representing a slightly decrease of approximately 5.4% compared with approximately RMB324,303,000 for the last year. The market for indirect export sales in the PRC 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 year was approximately RMB225,639,000, representing a slightly decrease of approximately 2.4% compared with approximately RMB231,207,000 for the last year.

The revenue from direct export sales of steel products outside the PRC and Vietnam during the year was approximately RMB8,849,000 representing an increase of approximately 58.2% while it was approximately RMB5,595,000 for the last year.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB46,631,000 for the year, with a gross profit margin of approximately 8.6%, compared with the gross profit of approximately RMB46,820,000 and a gross profit margin of approximately 8.3% for the last year.

OPERATING EXPENSES

The total operating expenses of the Group for the year were approximately RMB68,997,000, of which approximately RMB18,972,000 in distribution costs, RMB49,732,000 in administrative expenses and RMB293,000 in other operating expenses, accounting for approximately 3.5%, 9.2%, and 0.1% of revenue respectively while the amounts for the last year were approximately RMB17,065,000, RMB33,162,000, and RMB1,469,000 respectively, accounting for approximately 3.0%, 5.9%, and 0.3% respectively. The increase in operating expenses was mainly attributable to the increase in staff cost for the year 2014.

FINANCE COSTS

During the year, the Group incurred approximately RMB3,015,000 in finance costs, compared with approximately RMB4,244,000 for the last year. The Group relied on bank borrowings to finance its trading activities, the decrease in finance costs paid during the year was mainly due to the decrease in average balance of bank loans.

FINANCIAL RESOURCES AND TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. The Group continued to insure against major 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.

As at 31 December 2014, the Group had bank deposits and cash balances of approximately RMB45,028,000.

The Group had net current assets of approximately RMB141,320,000 as at 31 December 2014 as compared with RMB150,968,000 as at 31 December 2013. The current ratio (current assets divided by current liabilities) changed to approximately 2.12 as at 31 December 2014 from 2.16 as at 31 December 2013.

The Group had a total of approximately RMB120,833,000 financing facilities from banks were available as at 31 December 2014, approximately RMB47 million had been drawn down to finance the Group's working capital purposes and capital expenditures.

The debt-to-equity ratio (total liabilities divided by total capital) as at 31 December 2014 was approximately 62.6% while it was 60.0% as at 31 December 2013. Current portion of borrowings accounted for approximately 14.4% and 26.8% of the total assets of the Group as at 31 December 2014 and 31 December 2013, respectively.

CASH FLOW

For the year, the Group generated net cash inflow of RMB50,150,000 from its operating activities, as compared to net cash inflow of approximately RMB19,882,000 for the last year. The increase in net cash inflow from operating activities was primarily due to the decrease in trade receivables and other receivables, decrease in inventories and increase in trade payables and other payables. Net cash outflow of approximately RMB2,327,000 was from investing activities for the year, mainly resulted from payment of purchases of property, plant and equipment. Net cash outflow of approximately RMB48,534,000 was from financing activities, mainly resulted from net repayment of bank borrowings. Banks deposits and cash balances as at 31 December 2014 amounted to approximately RMB45,028,000, mainly denominated in Renminbi ("RMB"), US dollars and HK dollars.

FOREIGN EXCHANGE EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in RMB, US dollars and HK dollars and those currencies remained relatively stable during the year, the Group was not exposed to any significant foreign exchange risk. In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimize currency risk.

CHARGE ON GROUP ASSETS

As at 31 December 2014, no assets were pledged to banks for securing banking or other financing facilities granted to the Group.

CONTINGENT LIABILITIES

The Group has contingent liabilities in connection to the following litigations outstanding up to the date of this report:

1. In January 2012, the Group commenced litigation against Make Success and certain parties (the "Defendants") involved in the acquisition of Yield Rise to claim for the damages and rescission of the agreement for breach of the agreement and misrepresentation made by them and repayment of consideration. The Group is negotiating with the Defendants for the settlement of the claims. The Directors expected that the Group and the Defendants will agree to reach a settlement and proposes to enter a settlement deed with Make Success to resolve the matter of Yield Rise. Pursuant to the draft settlement deed, the Agreement shall be rescinded. Make Success shall (i) return the consideration shares to the Company and (ii) surrender the promissory notes and convertible bonds. The Company shall return the shares in Yield Rise to Make Success. Therefore, the Directors consider that the investment in Yield Rise and its subsidiaries ("Yield Rise Group"), the promissory notes and convertible bonds were not recognised in the consolidated financial statements.

2. On 4 August 2014, Mr. Lai Yueh-Hsing, a former Director, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands ("Grant Court") to demand for the repayment of loan of HK$11,030,000 due to him. The Group acknowledged the loan was owing to him. On 7 November 2014 and judgment was handed down by Grant Court to dismiss the petition. Subsequently an appeal against the decision of the Grant Court was filed by Mr. Lai Yueh-Hsing. On 19 October 2017, the Company filed an application to strike out the appeal to the Cayman Islands Court of Appeal. The hearing of the Cayman Islands Court of Appeal was held on 15 November 2017 and order that both the appeal filed by Mr. Lai Yueh-Hsing and the Company be dismissed. Therefore, it is the opinion of the Directors that the outcome will not have a material impact on the Group's financial position.

3. Guangzhou Mayer, a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition. According to legal advice, the winding up petition against Guangzhou Mayer do not meet the conditions required by the relevant laws. The Directors believe that the application of the winding up petition will be strike out by Intermediate Court.

4. On 29 March 2012, writs of summons were issued by Capital Wealth and Capital Wealth Corporation Limited against the Company to claim the sum of HK$15,500,000 plus relevant legal costs incurred/to be incurred. The Company intends to contest the claim. In the Directors' opinion, the ultimate liability, if any, will not have a material impact on the Group's financial position.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2014, the Group had total of 341 employees. Total staff costs for the year ended 31 December 2014 were approximately RMB47,387,000, including retirement benefits cost of approximately RMB4,542,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

The Group always maintains good relation with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products. In addition, the Company has a share option scheme adopted on 24 May 2004 for the primary purpose of providing incentive and to recognize the contribution of the eligible participants to the growth of the Group (the "Share Option Scheme"). Under the Share Option Scheme, the Board may grant options to eligible full-time employees, including any executive, non-executive and independent non-executive Directors, and consultants or advisers of the Company and/or of its subsidiaries. The Share Option Scheme had expired on 24 May 2014 and no option had ever been granted under the Share Option Scheme since its adoption.

OUTLOOK

After the replacement of former management of Guangzhou Mayer in 2017, the new management of Guangzhou Mayer started to implement comprehensive management, and undertake market restructuring and repositioning. The development of carbon steel cutting, steel pipe and stainless steel pipe businesses have moved onto a steady development track.

Focusing on the businesses in relation to the steel sheets used in motor vehicles and the steel pipes used in motor vehicles as well as stainless steel drinking water pipes, Guangzhou Mayer adjusted its marketing strategies based on the actual situation in response to the market. Striving for creation, improvement and perfection, we aim to expand our market share and enhance the value of our products.

Looking ahead to 2018, we will continue to proceed with our steel processing and distribution business (including carbon steel cutting) and to better serve the existing customers. Meanwhile, we will explore new customers by leveraging on our existing advantages and boost sales through developing new domestic resources for steel plants. We strive to enhance our carbon steel pipe production ability, expand the business of pipes used in motor vehicles and gradually phase out from our low-end pipe business, enhancing the profitability of pipe business. We will actively promote the stainless steel drinking water pipe business by expanding its sales volume through integrating distribution channels, and foster regional direct sales channel at the same time. First, we will strenuously explore the direct sales market for stainless steel pipe materials and pipe fittings in Southern China so as to increase profit. In addition, we will actively seek for new projects that suit the need for corporate development in order to create new growth engines for the Group.

Nowadays, there is worldwide optimism about the PRC's future economic development. The pace of China's economic growth has remained in a reasonable range for years, demonstrating a development trend of growth amidst stability. The successful convention of the "19th National Congress of the CPC" has directed the future economic development of China and is going to pose significant impact on the global economy. Locating in the region of Pearl River Delta, one of the most prosperous regions of China, Guangzhou Mayer has unique advantages and we are confident of Guangzhou Mayer's future development. Stemming from 2017, we will strive to realize our business objectives in 2018, including a 16% growth in carbon steel cutting business, a 20% growth in stainless steel pipe business and a 10% growth in carbon steel pipe business, with more than 1,000 tonnes sales of motor vehicle steel pipes.

With its ability, wisdom and determination and with an unwavering focus on economic benefits, the management of Guangzhou Mayer is committed to optimizing the product structure and developing new products of competitiveness, enhancing product value and increasing customer satisfaction, seizing every opportunity that is beneficial to the Company's development and generating the best return to society, shareholders and investors.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identify and formalize the best corporate governance practices appropriate to the needs of its business. The Company's corporate governance practices are based on the principles ("Principles") and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules.

The existing Board has reviewed the Company's corporate governance practices for the financial year ended 31 December 2014 (the "Year"), and has formed the opinion that the Company was unable to ensure compliance of certain of the then provisions of the CG Code for the Financial Year. Such non-compliance is set out in the table below:

The then code provision	**Reason for the non-compliance and improvement actions took or to be taken**
A.1.1 to A.1.5, C.3.1	Due to loss of records, the Company was unable to ensure there were regular Board meetings and committee meeting were held for the Year.
A.1.8	No insurance cover was arranged for the Year. The Company will arrange insurance cover immediately upon the resumption of trading of the Company's shares.
A.2.1	Before the removal of Mr. Lai Yueh-Hsing as director on 9 October 2014, Mr. Lai Yueh-Hsing has been both the Chairman and chief executive officer of the Company. Given the Company's current stage of development, the Board considers that vesting the roles of Chairman and chief executive officer in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.
A.2.5	The Company was not in compliance with certain code provisions as set out in the CG Code for the Year. The existing Chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group.
A.4.2	No general meeting was held during the Year. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the general meeting. General meeting will be held in due course for the retirement and re-election of Directors.

The then code provision	Reason for the non-compliance and improvement actions took or to be taken
C.1.5	Due to change of auditor, there were no annual and interim results of the Group for the Year presented to regular Board meetings for approval.
E.1.1, E.1.2, E.1.3, E.2.1	No general meeting was held during the Year. General meeting of the Company will be arranged in due course.

BOARD OF DIRECTORS

As at 31 December 2014, the Board consisted of three executive directors and three non-executive directors (of whom two are independent). The independent non-executive Directors are all experienced individuals from a range of industries and geographies. Their mix of professional skills and experience is an important element in the proper functioning of the Board and in ensuring a high standard of objective debate and overall input to the decision-making process.

The biographical details of the Directors and senior management are provided on page 2 to 8 of this report.

THE BOARD AT WORK

The Board is accountable to Shareholders for the activities and performance of the Group. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters.

Rule 3.10(1) of the Listing Rules requires there shall be at least three independent non-executive directors in the board of directors of a listed issuer, whilst Rule 3.21 of the Listing Rules requires there shall be at least three members in the audit committee of a listed issuer. Following the resignation of Ms. Li Shan Mui, Janice ("Ms. Li"), the Company is unable to fulfill such requirements.

The Company is unable to ensure all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules for the Year.

The Company is unable to ensure the non-executive directors are appointed for a specific term although in practice they are subject to retirement on rotation and re-election at the Company's annual general meetings pursuant to the Company's Articles of Association.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lai Yueh-Hsing has been both the Chairman and chief executive officer of the Company until he was removed as director of the Company on 9 October 2014. Since 9 October 2014, Mr. Lee Kwok Leung was the Chairman of the Company, responsible for the leadership and effective running of the Board, ensuring that all material issues were decided by the Board in a conductive manner. Mr. Lee Kwok Leung was also responsible for running the Group's business and effective implementation of the strategies of the Group. There is no chief executive of the Company since 9 October 2014.

COMPANY SECRETARY

Ms. Li Shan Mui, Janice was the company secretary of the Company from 9 October 2014 and resigned on 9 August 2017. Ms. Li is a member of the Hong Kong Institute of Certified Public Accountant and fellow member of both the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong and Certified Tax Adviser, Hong Kong. Ms. Li has over 11 years of experience in auditing, accounting, budgeting, financial analysis in local and international companies, and has over 6 years of experience in company secretarial, corporate governance and finance in listed company.

COMMITTEES

The monitoring and assessment of certain governance matters are allocated to three committees which operate under defined terms of reference. The composition of the committees during the Financial Year is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive director			
Mr. Lai Yueh-hsing (removed on 9 October 2014)			
Mr. Hsiao Ming-chih (removed on 9 October 2014)			
Mr. Chiang Jen-chin (removed on 9 October 2014)			
Mr. Lu Wen-yi (removed on 9 October 2014)			
Mr. Xue Wenge (removed on 9 October 2014)			
Mr. Lee Kwok Leung (appointed on 9 October 2014)		C	
Mr. Xu Li Di (appointed on 9 October 2014)			
Mr. Lin Jin He (appointed on 9 October 2014)			
Non-executive directors			
Mr. Li Deqiang		M	M
Independent non-executive directors			
Mr. Lin Sheng-bin (removed on 9 October 2014)			
Mr. Huang Jui-hsiang (removed on 9 October 2014)			
Mr. Alvin Chiu (removed on 9 October 2014)			
Mr. Ng Cheuk Lun (appointed on 9 October 2014)	M	M	C
Mr. Lau Kwok Hung (appointed on 9 October 2014)	C		M
Ms. Li Shan Mui, Janice (appointed on 9 October 2014 and resigned on 16 December 2014)	M		

Note:

C Chairman of the relevant Board
M Member of the relevant Board

Audit Committee

The Audit Committee is comprised of three independent non-executive directors who together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs.

The committee is responsible for monitoring the reporting, accounting, financial and control aspects of the executive management's activities. It has full access to the Group's chief financial officer to hear directly any concerns of the internal audit department that may have arisen during the course of the department's work.

The committee also monitors the appointment and function of the Group's external auditor.

Remuneration Committee

The Remuneration Committee was established on 22 August 2005 and is comprised of 1 independent non-executive director, 1 non-executive director and 1 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 now comprised of 2 independent non-executive directors (of which one is the committee chairman) and 1 non-executive director.

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.

BOARD AND COMMITTEE ATTENDANCE

Due to loss of records, the Company was unable ensure the number of meetings held in the Financial Year.

During the Year, no annual general meeting was held.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring that an adequate system of internal controls is maintained within the Group, and for reviewing its effectiveness through the Audit Committee.

The internal control system, which includes a defined management structure with specified limits of authority, is designed to (a) help the achievement of business objectives, and safeguard the Group's assets; (b) ensure proper maintenance of accounting records; and (c) ensure compliance with relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives. The processes to identify and manage key risks to the achievement of the Group's strategic objectives are an integral part of the internal control environment. Such processes include strategic planning, the appointment of senior management, the regular monitoring of performance, control over capital expenditure and investments and the setting of high standards and targets for safety, health and environmental performance.

The management maintains and monitors the system of controls on an ongoing basis.

The Company did not conduct an annual review on the effectiveness of the internal control systems of the Group during the year ended 31 December 2014. However, the Company has appointed Pan-China (H.K.) CPA Limited as an independent professional adviser on 18 September 2017 to assist the Board to carry out an internal control review of the Group.

EXTERNAL AUDITOR

The Company's independent external auditor is ZHONGHUI ANDA CPA Limited. The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group. In particular, the Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. During the Year, the total remuneration in respect of services provided by ZHONGHUI ANDA CPA Limited amounted to RMB595,766, of which RMB476,766 was incurred for statutory audit and RMB119,000 was incurred for non-audit services which mainly included other professional services.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company uses a number of formal communications channels to account to shareholders for the performance of the Company. These include the annual report and accounts, the interim report, periodic company announcements made through the Stock Exchange, as well as through the annual general meeting. The Company aims to provide its shareholders and potential investors with high standards of disclosure and financial transparency. In order to provide effective disclosure to investors and potential investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules. The Company also welcomes comments and questions from shareholders at its annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company was unable to ensure the Directors were compliance with the Model Code as set out in Appendix 10 of the Listing Rules.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The existing Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the Year.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 32 to 36.

SHAREHOLDER RIGHTS

In accordance with the Article 68 of the Articles of Association of the Company, one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Board at 21/F, No. 88 Lockhart Road, Wanchai, Hong Kong. Shareholders may also make enquiries to the Board at the general meetings of the Company. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 34 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 10 to the consolidated financial statements.

RESULTS

The Group's result for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 37 to 90.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 91.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 28 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in note 34 to the consolidated financial statements.

RESERVES

Details of movements of the reserves of the Company and the Group during the year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVE

Distributable reserves of the Company at 31 December 2014 amounted to RMB46,873,000 (2013: RMB59,467,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers accounted for 10.8% and 30.4% of the Group's total revenue for the year, respectively. The largest and the five largest suppliers accounted for 78.8% and 88.6% of the Group's purchases for the year, respectively. None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SHARE OPTION SCHEME

The share option scheme was adopted on 24 May 2004 (the "Share Option Scheme") for the primary purpose of providing incentive and to recognize the contribution of the eligible participants to the growth of the Group and expired on 24 May 2014. Under the Share Option Scheme, the Board may grant options to eligible full time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries. Up to the expiry of Share Option Scheme on 24 May 2014, no options had been granted since the adoption of the Share Option Scheme.

The Board would consider a new share option scheme for the purpose of providing incentives and rewards to eligible participants when all necessary prerequisites are available.

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

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

DIRECTORS

The directors of the Company during the Year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Xu Lidi	(appointed on 9/10/2014)
Mr. Lee Kwok Leung	(appointed on 9/10/2014)
Mr. Lin Jinhe	(appointed on 9/10/2014)
Mr. Hsiao Ming-chih	(removed on 9/10/2014)
Mr. Lai Yueh-hsing	(removed on 9/10/2014)
Mr. Chiang Jen-chin	(removed on 9/10/2014)
Mr. Lu Wen-yi	(removed on 9/10/2014)
Mr. Xue Wenge	(removed on 9/10/2014)

NON-EXECUTIVE DIRECTORS

Mr. Li Deqiang	(resigned on 7/4/2017)
Mr. Wang Dongqi	(appointed on 9/8/2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Cheuk Lun	(appointed on 9/10/2014)
Mr. Lau Kwok Hung	(appointed on 9/10/2014)
Ms. Li Shan Mui	(appointed on 9/10/2014 and resigned on 16/12/2014)
Mr. Lin Sheng-bin	(removed on 9/10/2014)
Mr. Huang Jui-hsiang	(removed on 9/10/2014)
Mr. Alvin Chiu	(removed on 9/10/2014)
Mr. Deng Shimin	(appointed on 19/4/2016)

In accordance with article 112 of the Company's Articles of Association, Mr. Lee Kwok Leung, Mr. Xu Lidi, Mr. Lin Jinhe, Mr. Lau Kwok Hung, Mr. Ng Cheuk Lun and Mr. Deng Shimin will retire by rotation at the forthcoming annual general meeting and being eligible, will offer himself for re-election. In accordance with article 95 of the Company Articles of Association, Mr. Wang Dongqi will retire by rotation at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIC

Biographical details of the Directors and senior management of the Group are set out on pages 2 to 8.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors of the Group are set out in note 14 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the staff costs charged to the consolidated statement of profit or loss for the year are set out in notes 13 and 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until and unless terminated by either party by giving to the other party not less than three months' prior written notice. Each of the non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until and unless terminated by either party by giving to the other party not less than three months' prior written notice. Save as disclosed above, no Directors proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Company has received from each of its independent non-executive Directors an annual confirmation of his independence in 2014 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, the Company still considers the independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 33 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at 31 December 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name	*Note*	**Capacity and nature of interest**	**No. of ordinary shares held**	**Percentage of Company's issued share capitals**
Lee Kwok Leung	*(1)*	Interest of controlled corporation Beneficial owner	71,588,000	7.72%
Lin Jinhe	*(2)*	Interest of controlled corporation Beneficial owner	100,000,000	10.78%

Note 1: By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lee Kwok Leung, an executive Director ("Mr. Lee"), was deemed to be interested in 71,588,000 Shares, of which (a) 24,588,000 Shares, representing approximately 2.65% of the issued Shares, were held by Capital Wealth Finance Company Limited, a licensed money lender under the Money Lenders Ordinance of Hong Kong ("Capital Finance"), which was wholly owned by Mr. Lee; and (b) 47,000,000 Shares, representing approximately 5.07% of the issued Shares, were sought to be recovered from the defendants of the legal action numbered HCA 686/2012. On 24 August 2016, Capital Finance was ordered to be wound up by the Court of First Instance and the Official Receiver had been constituted provisional liquidator of the affairs of Capital Finance. As a result, the above-mentioned legal action of HCA 686/2012 was still pending at the date of this report.

Note 2: As at the date of this report, 100,000,000 Shares, representing approximately 10.78% of the issued Shares, were held by Bumper East Limited, a company wholly owned by Mr. Lin Jinhe who is an executive Director ("Mr. Lin"). By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lin was deemed to be interested in the 100,000,000 Shares held by Bumper East Limited.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company nor their respective associates, had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, and none of the directors or chief executives, or their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the person/entity (not being a director or a chief executive of the Company) who has interests or short positions in the Shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part IV of the SFO, were as follows:

LONG POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

Name	*Note*	Capacity and nature of interest	No. of ordinary shares held	Percentage of Company's issued share capitals
Aspial Investment Limited	*(3)*	Beneficial owner	100,000,000	10.78%
Bumper East Limited	*(2)*	Beneficial owner	100,000,000	10.78%
Make Success Limited	*(4)*	Beneficial owner	236,363,636	25.48%
Valley Park Global Corporation	*(5)*	Beneficial owner	46,640,000	5.03%

Note 3: Aspial Investment Limited ("Aspial") is by Mr. Chen Wei ("Mr. Chen"). By virtue of the SFO, Mr. Chen is deemed to be interested in the 100,000,000 Shares held by Aspial. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Aspial and Mr. Chen are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Note 4: Make Success is wholly owned by Mr. Zhang Xinyu ("Mr. Zhang"). By virtue of the SFO, Mr. Zhang is deemed to be interested in the 236,363,636 Shares held by Make Success. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. Zhang and Make Success are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Note 5: Valley Park Global Corporation ("Valley Park") is wholly owned by Mr. Liu Qiong ("Mr. Liu"). By virtue of the SFO, Mr. Liu is deemed to be interested in the 115,200,000 Shares held by Valley Park. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. Liu and Valley Park are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other person/entity (not being a director or a chief executive of the Company) who has interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part IV of the SFO, or who is directly or indirectly interested in 10% or more of the Shares or equity interest in any member of the Group representing 10% or more of the equity interest in such company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at 31 December 2014.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

AUDITOR

The consolidated financial statements for the year have been audited by ZHONGHUI ANDA CPA Limited. A resolution re-appoint the retiring auditor, ZHONGHUI ANDA CPA Limited will be put at the forthcoming Annual General Meeting.

By order of the Board
Lee Kwok Leung
Chairman

ZHONGHUI

TO THE SHAREHOLDERS OF MAYER HOLDINGS LIMITED
美亞控股有限公司
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Mayer Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 90, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1 Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 9 April 2018.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2 Unconsolidation of Yield Rise Limited

As stated in note 31(a) to the consolidated financial statements, due to the dispute between Make Success Limited ("Make Success") and the Company in connection with the acquisition of Yield Rise Limited ("Yield Rise") and its subsidiaries ("Yield Rise Group"), the financial statements of Yield Rise Group have not been consolidated in the Group's consolidated financial statements for the year ended 31 December 2014 and 2013. In addition, the promissory notes and convertible bonds issued for the acquisition were not recognised in the consolidated financial statements.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"), the Company should consolidate Yield Rise Group if the Company has power to control Yield Rise Group to affect the return from them. We have not been able to obtain sufficient appropriate audit evidence to assess (i) whether the Company has control over Yield Rise Group; and (ii) the validity of the promissory notes and convertible notes. We are unable to determine whether there is an departure from HKFRS 10 and the promissory notes and convertible notes as mentioned in note 31(a) should be recognised in the Group's consolidated financial statements.

3 Available-for-sale financial assets

As stated in note 20 to the consolidated financial statements, the investment in 29.85% equity interest in Vietnam Mayer Company Limited ("Vietnam Mayer") of approximately RMB11,766,000 is recognised as available-for-sale financial assets and stated at cost as at 31 December 2014 and 2013. We have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer. Therefore, we are unable to determine whether Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting. In addition, we have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount.

4 Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of a subsidiary of the Company, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), and joint ventures for the years ended 31 December 2014 and 2013, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2014 and 2013 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

Income and expenses for the years ended 31 December:

	2014	2013
	RMB'000	*RMB'000*
Revenue	541,360	561,105
Cost of sales	(494,729)	(514,285)
Gross profit	46,631	46,820
Other income	12,165	16,455
Other net loss	(646)	(50)
Distribution costs	(18,972)	(17,065)
Administrative expenses	(37,200)	(21,364)
Other operating expenses	(293)	(1,469)
Profit from operation	1,685	23,327
Finance cost	(3,012)	(4,244)
Impairment loss on joint ventures	–	(358)
(Loss)/profit before taxation	(1,327)	18,725
Income tax expense	(120)	–
(Loss)/profit for the year	(1,447)	18,725

Assets and liabilities as at 31 December:

	2014	2013
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	5,457	3,837
Interest in joint ventures	–	182
	5,457	4,019
Current assets		
Inventories	56,681	63,385
Trade and other receivables	164,767	170,409
Cash and cash equivalents	43,484	44,424
	264,932	278,218
Current liabilities		
Trade and other payables	53,002	22,466
Current tax payable	120	–
Bank borrowings	46,128	92,848
	99,250	115,314
NET ASSETS	171,139	166,923

5 Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2014 and 2013.

6 Related party transactions and disclosures

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2014 and 2013 and the related party balances as at 31 December 2014 and 2013 as required by Hong Kong Accounting Standard 24 (revised) "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 6 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2014 and 2013 and the financial position of the Group as at 31 December 2014 and 2013, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

We draw attention to note 2 to the financial statements which mentions that the Group incurred a loss of approximately RMB14,070,000 for the year ended 31 December 2014. Furthermore, there are pending litigations and winding up petitions against the Group. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 9 April 2018

Consolidated Statement of Profit or Loss
For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	541,360	561,105
Cost of sales		(494,729)	(514,285)
Gross profit		46,631	46,820
Other income	8	12,171	16,788
Other net loss	9	(740)	(160)
Distribution costs		(18,972)	(17,065)
Administrative expenses		(49,732)	(33,162)
Other operating expenses		(293)	(1,469)
(Loss)/profit from operations		(10,935)	11,752
Finance costs	11	(3,015)	(4,244)
Impairment loss on joint ventures		–	(358)
(Loss)/profit before tax		(13,950)	7,150
Income tax expense	12	(120)	–
(Loss)/profit for the year	13	(14,070)	7,150
(Loss)/profit for the period attributable to:			
Owners of the Company		(13,801)	3,601
Non-controlling interests		(269)	3,549
		(14,070)	7,150
(Loss)/earnings per share	16		
Basic and diluted (RMB cents)		(1.49)	0.39

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
(Loss)/profit for the year	(14,070)	7,150
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(2,613)	3,072
Items that may not be reclassified to profit or loss:		
Exchange differences on translating foreign operations	2,230	(2,896)
Other comprehensive income for the year, net of tax	(383)	176
Total comprehensive income for the year	(14,453)	7,326
Total comprehensive income for the year attributable to:		
Owners of the Company	(14,184)	3,777
Non-controlling interests	(269)	3,549
	(14,453)	7,326

Consolidated Statement of Financial Position
At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	41,970	46,371
Prepaid land lease payments	18	6,640	6,862
Interest in joint ventures	19	–	182
Available-for-sale financial assets	20	11,766	11,766
		60,376	65,181
Current assets			
Inventories	21	56,681	63,385
Trade and other receivables	22	165,551	170,832
Prepaid land lease payments	18	222	222
Amounts due from joint ventures		–	174
Cash and cash equivalents	23	45,028	46,140
		267,482	280,753
Current liabilities			
Trade and other payables	24	78,713	30,606
Amount due to a director	25	–	6,331
Current tax payable		120	–
Borrowings	26	47,329	92,848
		126,162	129,785
Net current assets		141,320	150,968
Total assets less current liabilities		201,696	216,149
NET ASSETS		201,696	216,149
Capital and reserves			
Share capital	28	88,872	88,872
Reserves		64,132	78,316
Equity attributable to owners of the Company		153,004	167,188
Non-controlling interests		48,692	48,961
TOTAL EQUITY		201,696	216,149

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Foreign currency translation reserve	Retained profits/ (accumulated losses)	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	88,872	196,113	67,570	22,076	4,950	(21,443)	(194,727)	163,411	45,412	208,823
Total comprehensive income for the year	–	–	–	–	–	176	3,601	3,777	3,549	7,326
Appropriation to statutory surplus reserve	–	–	–	1,575	–	–	(1,575)	–	–	–
At 31 December 2013	88,872	196,113	67,570	23,651	4,950	(21,267)	(192,701)	167,188	48,961	216,149
At 1 January 2014	88,872	196,113	67,570	23,651	4,950	(21,267)	(192,701)	167,188	48,961	216,149
Total comprehensive income for the year	–	–	–	–	–	(383)	(13,801)	(14,184)	(269)	(14,453)
Appropriation to statutory surplus reserve	–	–	–	332	–	–	(332)	–	–	–
At 31 December 2014	88,872	196,113	67,570	23,983	4,950	(21,650)	(206,834)	153,004	48,692	201,696

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(13,950)	7,150
Adjustment for:		
Interest income	(369)	(336)
Finance costs	3,015	4,244
Depreciation	7,130	7,542
Amortisation of prepaid land lease payments	222	222
Impairment loss on joint ventures	–	358
Reversal of impairment loss on trade and other receivables	(311)	(437)
Dividend income	–	(5,506)
Write down of inventories	–	283
Reversal of impairment loss on inventories	(478)	–
Net loss on disposal of property, plant and equipment	341	936
Operating (loss)/profit before working capital changes	(4,400)	14,456
Change in inventories	7,182	(9,018)
Change in trade receivables and other receivables	5,592	12,451
Change in amount due to a director	4,566	4,861
Change in trade payables and other payables	37,210	(2,868)
Net cash generated from operating activities	50,150	19,882
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	130	389
Payment for purchase of property, plant and equipment	(3,187)	(2,712)
Capital returned from joint ventures	187	1,006
Repayment from/(loan to) a joint venture	174	(174)
Dividend income	–	5,506
Interest received	369	336
Net cash (used in)/generated from investing activities	(2,327)	4,351

Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceed from new bank borrowings	254,011	398,859
Repayment of borrowings	(299,530)	(420,092)
Interest paid	(3,015)	(4,244)
Net cash used in financing activities	(48,534)	(25,477)
Net decrease in cash and cash equivalents	(711)	(1,244)
Cash and cash equivalents at beginning of year	46,140	47,142
Effect of changes in foreign exchange rate	(401)	242
Cash and cash equivalents at end of year	45,028	46,140
Analysis of cash and cash equivalents		
Bank and cash balances	45,028	46,140

1. GENERAL INFORMATION

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 is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately RMB14,070,000 for the year ended 31 December 2014. Furthermore, there are pending litigations and winding up petitions against the Group, details of which are stated in note 31 to the consolidated financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis. The validity of which are based on the ability of the Group to attain profitable and positive cash flow from operation in foreseeable future. In additions, the Directors consider based on the latest progress of the negotiation of settlement agreements in connection with the acquisition of Yield Rise and the legal advices on winding up petitions, these litigations ultimately will not have significant impact to the financial position of the Group. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the other new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

a. Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

b. Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

c. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency. The functional currency of the Company is Hong Kong dollar.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

d. Property, plant and equipment

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

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings and factory premises	5% or over the remaining term of the lease, if shorter
Leasehold improvements	10%–33 $^1/_3$% or over the remaining term of the lease, if shorter
Plant and machinery	7%–25%
Furniture, fixtures and office equipment	5%–33 $^1/_3$%
Motor vehicles	10%–25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

e. Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

g. Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

h. Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, loans and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

j. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

k. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

l. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

m. Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

n. Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) 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) 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 is recognised on a time-proportion basis using the effective interest method.

p. Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

r. Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and its joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

s. Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

t. 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 most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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 productions 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.

u. Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

v. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

w. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flow from operation in foreseeable future. In additions, the directors consider the pending litigations ultimately will not have significant impact to the financial position of the Group. Details are explained in note 2 to consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(c) Income taxes

The Group is mainly subject to income taxes in the People's Republic of China (the "PRC"). Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables, available-for-sale financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer and the five largest customers shared over approximately 9.1% (2013: 11.3%) and 28.4% (2013: 35.5%) of the trade receivables respectively at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year
	RMB'000
At 31 December 2014	
Borrowings	47,500
Trade and other payables	66,584
	114,084
At 31 December 2013	
Borrowings	93,217
Trade and other payables	22,792
Amount due to a director	6,331
	122,340

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and borrowings.

Borrowings are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2014, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Categories of financial instruments at 31 December 2014

	2014	**2013**
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale financial assets	11,766	11,766
Loans and receivables (including cash and cash equivalents)	201,621	216,419
Financial liabilities		
Financial liabilities at amortised cost	113,913	115,640

7. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. An analysis of the Group's revenue for the year is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Sales of steel pipes, steel sheet and other products made of steel	541,360	561,105

8. OTHER INCOME

	2014	**2013**
	RMB'000	*RMB'000*
Bank interest income	369	336
Dividend income	–	5,506
Government subsidy#	648	367
Scrap sales	10,870	10,103
Sundry income	284	476
	12,171	16,788

The government subsidy was received from local government authorities for supporting the Group's operation and encouraging innovation of production technology, of which the entitlement was unconditional.

9. OTHER NET LOSS

	2014	**2013**
	RMB'000	*RMB'000*
Net loss on disposal of property, plant and equipment	(341)	(936)
Net exchange (loss)/gain	(710)	339
Reversal of impairment loss on trade and other receivables	299	443
Reversal of impairment loss/(impairment loss) on trade and other receivables	12	(6)
	(740)	(160)

10. SEGMENT INFORMATION

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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Steel – PRC: this segment primarily derive its 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 the PRC.

- 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.

(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 4. 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, depreciation and amortisation, change in fair value of financial assets at fair value through profit or loss, net gain/loss on disposal of property, plant and equipment, impairment loss on trade and other receivables, reversal of impairment loss on trade and other receivables, write down of inventories, reversal of write down of inventories, share of result of joint ventures, impairment loss on joint ventures 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 2014 and 2013 is set out below:

Information about reportable segment profit or loss, assets and liabilities:

	Steel – PRC	**Investment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2014			
Revenue from external customers	541,360	–	541,360
Segment profit	1,687	–	1,687
Interest income	369	–	369
Interest expenses	2,328	–	2,328
Dividend income	–	–	–
Fair value gain on financial assets at fair value through profit or loss	–	–	–
Depreciation and amortisation	7,324	–	7,324
Net loss on disposal of property, plant and equipment	262	–	262
Impairment loss on trade and other receivables	–	–	–
Reversal of impairment loss on trade and other receivables	311	–	311
Write down of inventories	–	–	–
Reversal of write down of inventories	478	–	478
Share of profit of joint ventures	–	–	–
Impairment loss on joint ventures	–	–	–
Income tax expense	120	–	120
Segment assets	313,652	–	313,652
Segment liabilities	99,249	–	99,249
Interests in joint ventures	–	–	–
Additions to non-current assets	3,187	–	3,187

	Steel – PRC *RMB'000*	Investment *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Revenue from external customers	561,105	–	561,105
Segment profit/(loss)	17,822	(2)	17,820
Interest income	335	–	335
Interest expenses	3,298	–	3,298
Dividend income	5,506	–	5,506
Depreciation and amortisation	6,969	–	6,969
Fair value loss on financial assets at fair value through profit or loss	–	–	–
Net loss on disposal of property, plant and equipment	–	–	–
Impairment loss on trade and other receivables	437	–	437
Reversal of impairment loss on trade and other receivables	283	–	283
Write down of inventories	–	–	–
Reversal of write down of inventories	–	–	–
Share of profit of joint ventures	–	–	–
Impairment loss on joint ventures	–	358	358
Income tax expense	–	–	–
Segment assets	331,160	–	331,160
Segment liabilities	115,313	–	115,313
Interests in joint ventures	–	–	–
Additions to non-current assets	2,417	–	2,417

Reconciliations of reportable segment, profit and loss, assets and liabilities:

	2014	2013
	RMB'000	*RMB'000*
Profit or loss:		
Total profit of reportable segments	1,687	17,820
Finance cost	(3,015)	(4,244)
Depreciation	(259)	(364)
Corporate and unallocated profit or loss	(12,363)	(6,062)
Consolidated (loss)/profit before taxation for the year	(13,950)	7,150
Assets:		
Total assets of reportable segments	313,652	331,160
Corporate and unallocated assets:		
– Available-for-sale financial assets	11,766	11,766
– Others	2,440	3,008
Consolidated total assets	327,858	345,934
Liabilities:		
Total liabilities of reportable segments	99,249	115,313
Corporate and unallocated liabilities	26,913	14,472
Consolidated total liabilities	126,162	129,785

Geographical information:

Over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical information is disclosed.

Revenue from major customers:

	2014	2013
	RMB'000	*RMB'000*
Revenue from Steel – PRC segment		
Customer A	58,612	55,868
Customer B	53,520	63,291

No other customers individually contributed more than 10% of the total consolidated revenue of the Group.

11. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Bank interest expenses	2,328	3,298
Other loan interest	3	–
Other finance charges	684	946
	3,015	4,244

12. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current tax – PRC Corporate Income Tax	120	–

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2013: Nil).

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC Corporate Income Tax at a rate of 25% (2013: 25%) during 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.

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

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by applicable tax rates is as follows:

	2014 *RMB'000*	2013 *RMB'000*
(Loss)/profit before tax	(13,950)	7,150
Tax at the rates applicable to profits in the countries concerned	(2,415)	2,881
Tax effect of non-taxable income	(42)	(1,632)
Tax effect of non-deductible expenses	5,303	862
Tax effect of tax loss not recognised	–	1,825
Tax effect of utilisation of tax losses not recognised in prior year	(2,291)	(3,936)
Tax effect of temporary difference not recognised	(435)	–
Income tax expense for the year	120	–

13. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2014 *RMB'000*	2013 *RMB'000*
Auditor's remuneration		
– audit services	1,004	1,398
– other services	119	119
Cost of inventories sold#	494,729	514,285
Depreciation	7,130	7,542
Amortisation of prepaid lease payments	222	222
Net exchange loss/(gains)	710	(339)
Operating lease charges in respect of land and buildings	865	795
Net loss on disposal of property, plant and equipment	341	936
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	42,845	29,530
– Retirement benefits scheme contributions	4,542	3,139
	47,387	32,669

Cost of inventories sold includes the followings which are also included in the amounts disclosed separately above.

	2014 RMB'000	2013 RMB'000
Depreciation	6,120	5,764
Write down of inventories	–	283
Reversal of write down of inventories	(478)	–
Staff costs	15,009	11,714

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2014	*Notes*	Directors' Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary and performance related incentive payment *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. Xu Lidi	*a*	–	109	–	–	109
Mr. Lee Kwok Leung	*a*	–	109	–	–	109
Mr. Lin Jinhe	*a*	–	109	–	–	109
Mr. Hsiao Ming-chih	*c*	–	53	–	–	53
Mr. Lai Yueh-hsing	*c*	–	318	–	–	318
Mr. Lu Wen-yi	*c*	–	254	–	–	254
Mr. Chiang Jen-chin	*c*	–	159	–	–	159
Mr. Xue Wenge	*c*	–	–	–	–	–
Non-executive Directors						
Mr. Li Deqiang		79	–	–	–	79
Independent Non-executive Directors						
Mr. Ng Cheuk Lun	*a*	27	–	–	–	27
Mr. Lau Kwok Hung	*a*	27	–	–	–	27
Ms. Li Shan Mui	*b*	22	–	–	–	22
Mr. Lin Sheng-bin	*c*	175	–	–	–	175
Mr. Huang Jui-hsiang	*c*	174	–	–	–	174
Mr. Alvin Chiu	*c*	121	–	–	–	121
Total for the year ended 31 December 2014		625	1,111	–	–	1,736

2013	*Notes*	Directors' Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary and performance related incentive payment *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive Directors						
Mr. Hsiao Ming-chih	*c*	–	79	–	–	79
Mr. Lai Yueh-hsing	*c*	–	475	–	–	475
Mr. Lu Wen-yi	*c*	–	381	–	–	381
Mr. Chiang Jen-chin	*c*	–	238	–	–	238
Mr. Xue Wenge	*c*	–	–	–	–	–
Non-executive Directors						
Mr. Li Deqiang		79	–	–	–	79
Independent Non-executive Directors						
Mr. Lin Sheng-bin	*c*	262	–	–	–	262
Mr. Huang Jui-hsiang	*c*	262	–	–	–	262
Mr. Alvin Chiu	*c*	181	–	–	–	181
Total for the year ended 31 December 2013		784	1,173	–	–	1,957

Notes:

a Appointed on 9 October 2014
b Appointed on 9 October 2014 and resigned on 17 December 2014
c Removed on 9 October 2014

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included one (2013: two) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining four (2013: three) individuals are set out below:

	2014	**2013**
	RMB'000	*RMB'000*
Basic salaries and allowances	1,598	1,873
Retirement benefits scheme contributions	18	12
	1,616	1,885

The emoluments fell within the following bands:

	Number of individuals	
	2014	**2013**
Emolument band:		
Nil – HK$1,000,000	4	3

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2014 and 2013.

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB13,801,000 (2013: profit of approximately RMB3,601,000) and the weighted average number of 927,564,000 ordinary shares (2013: 927,564,000 ordinary shares) in issue during the year.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there are no potential ordinary shares outstanding for both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, fixture and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At cost							
At 1 January 2013	43,385	3,900	93,663	4,705	3,628	9,173	158,454
Additions	–	295	2,056	361	–	–	2,712
Transfers	–	–	8,580	–	–	(8,580)	–
Disposals	–	(289)	(2,809)	(1,883)	–	–	(4,981)
Exchange differences	–	(9)	–	(3)	(38)	–	(50)
At 31 December 2013 and 1 January 2014	43,385	3,897	101,490	3,180	3,590	593	156,135
Additions	–	40	1,848	441	–	858	3,187
Disposals	–	–	(758)	(68)	(304)	–	(1,130)
Exchange differences	–	7	–	2	31	–	40
At 31 December 2014	43,385	3,944	102,580	3,555	3,317	1,451	158,232
Accumulated depreciation							
At 1 January 2013	25,824	3,215	70,658	3,964	2,247	–	105,908
Charge for the year	1,967	398	4,556	115	506	–	7,542
Disposal	–	(228)	(1,736)	(1,692)	–	–	(3,656)
Exchange differences	–	(3)	–	(2)	(25)	–	(30)
At 31 December 2013 and 1 January 2014	27,791	3,382	73,478	2,385	2,728	–	109,764
Charge for the year	1,967	411	4,217	182	353	–	7,130
Disposals	–	–	(451)	(61)	(147)	–	(659)
Exchange differences	–	3	–	2	22	–	27
At 31 December 2014	29,758	3,796	77,244	2,508	2,956	–	116,262
Carrying amounts							
At 31 December 2014	13,627	148	25,336	1,047	361	1,451	41,970
At 31 December 2013	15,594	515	28,012	795	862	593	46,371

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

	2014	2013
	RMB'000	*RMB'000*
In the PRC – medium-term leases	13,627	15,594

18. PREPAID LAND LEASE PAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	11,098	11,098
Accumulated amortisation		
At 1 January	4,014	3,792
Charge for the year	222	222
At 31 December	4,236	4,014
Carrying amount		
At 31 December	6,862	7,084
Represented:		
Current assets	222	222
Non-current assets	6,640	6,862
	6,862	7,084

19. INTERESTS IN JOINT VENTURES

	2014	2013
	RMB'000	*RMB'000*
Unlisted investments		
– Share of net assets	51,341	51,523
Less: Impairment	(51,341)	(51,341)
	–	182

Details of the Group's joint ventures at 31 December 2014 are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up capital	Group's effective interest	Percentage of the ownership interest held by the Company	Principal activities
Glory World Development Limited	the British Virgin Islands	21,200,000 ordinary shares of USD1 each	49.80%	49.80%	Investment holdings
Sinowise Development Limited	the British Virgin Islands	9,000,000 ordinary shares of USD1 each	49.80%	–	Trading of coal
Elternal Galaxy Limited	the British Virgin Islands	12,100,000 ordinary shares of USD1 each	49.80%	–	Trading of iron
Grace Capital Group Limited	Samoa	1 ordinary share of USD1	49.80%	–	Inactive

The following table shows, in aggregate, the Group's share of the amounts of individually immaterial joint venture that are accounted for using the equity method.

	2014	**2013**
	RMB'000	*RMB'000*
At 31 December		
Carrying amounts of interest	–	182
Year ended 31 December		
Loss for the year	(126)	(76)
Other comprehensive income	(137)	(188)
Total comprehensive income	(263)	(264)

The Group has not recognised loss for the year amounting to approximately RMB126,000 (2013: approximately RMB76,000) for Glory World. The accumulated losses not recognised were approximately RMB810,000 (2013: approximately RMB684,000).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	**2013**
	RMB'000	*RMB'000*
Unlisted securities, at cost	11,766	11,766

The above unlisted equity securities represented 29.85% equity interest in Vietnam Mayer. Although the Group holds more than 20% of the voting power of Vietnam Mayer, Vietnam Mayer was recognised as available-for-sale financial assets as the Group is unable to exercise significant influence over Vietnam Mayer.

The available-for-sale financial assets were carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

On 21 January 2010, Guangzhou Mayer entered into a sale and purchase agreement with Mayer Steel Pipe Corporation. Pursuant to the agreement, Guangzhou Mayer had agreed to sell and the purchaser had 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, which will be satisfied in cash. The disposal is still not completed up to date of this report.

21. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	28,018	41,020
Work-in-progress	797	553
Finished goods	21,150	17,395
Goods-in-transit	6,716	4,417
	56,681	63,385

22. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	150,946	170,320
Less: allowance for doubtful debts	(3,082)	(3,381)
	147,864	166,939
Bills receivable	8,020	2,420
Other receivable	257	353
Prepayment and other deposit	9,410	1,120
	165,551	170,832

Trade receivables

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.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 30 days	45,291	43,511
31 to 60 days	49,223	50,367
61 to 90 days	29,001	40,289
91 to 180 days	24,193	32,579
Over 180 days	156	193
	147,864	166,939

Reconciliation of allowance for trade receivables:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	3,381	4,022
Bad debts written off	–	(198)
Reversal of allowance for the year	(299)	(443)
	3,082	3,381

As of 31 December 2014, trade receivables of approximately RMB2,905,000 (2013: approximately RMB12,339,000) were past due but not impaired. These relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

The aging analysis of these trade receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Less than 1 month past due	1,798	8,598
1–3 months past due	404	3,631
More than 3 months	703	110
	2,905	12,339

23. CASH AND CASH EQUIVALENTS

As at 31 December 2014, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB25,662,000 (2013: approximately RMB23,872,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

24. TRADE AND OTHER PAYABLES

	2014	**2013**
	RMB'000	*RMB'000*
Trade payables	17,626	9,244
Bill payables	2,780	–
Other payable	48,154	14,966
Dividend payable	515	502
Receipts in advance	9,638	5,894
	78,713	30,606

Trade payables

The aging analysis of the trade payables based on invoice date, is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
0 to 30 days	15,166	6,186
31 to 60 days	2,328	2,009
61 to 90 days	95	699
91 to 180 days	8	–
Over 181 days	29	350
	17,626	9,244

25. AMOUNT DUE TO A DIRECTOR

Amount due to a director is unsecured, interest-free and repayable on demand.

26. BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Bank borrowings – unsecured	46,128	92,848
Other borrowings – unsecured	1,201	–
	47,329	92,848

The average interest rates at 31 December were as follows:

	2014	2013
Bank borrowings	1.03%–4.5%	0.95%–6.5%
Other borrowings	8%	N/A

All the borrowing are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

27. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (before 1 June 2014: HK$25,000). Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

28. SHARE CAPITAL

	Number of shares	Amount
	'000	*RMB'000*
Authorised:		
Ordinary shares of HK$0.1 each at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	2,000,000	195,662
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	927,564	88,872

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

The gearing ratios at the end of the reporting periods were as follows:

	2014	2013
	RMB'000	*RMB'000*
Total debt	47,329	92,848
Less: cash and cash equivalents	(45,028)	(46,140)
Net debt	2,301	46,708
Total equity	201,696	216,149
Net debt-to-capital ratio	1%	22%

29. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Special reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	196,113	125,211	(53,429)	(250,246)	17,649
Loss for the year	–	–	–	(11,611)	(11,611)
Exchange difference on translation of financial statements to presentation currency	–	–	(2,896)	–	(2,896)
At 31 December 2013	196,113	125,211	(56,325)	(261,857)	3,142
At 1 January 2014	196,113	125,211	(56,325)	(261,857)	3,142
Loss for the year	–	–	–	(12,594)	(12,594)
Exchange difference on translation of financial statements to presentation currency	–	–	2,230	–	2,230
At 31 December 2014	196,113	125,211	(54,095)	(274,451)	(7,222)

(c) Nature and purpose of reserves

(i) Share premium account

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 special reserve of the Group 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 special reserve of the Company 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 fund

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) Foreign currency translation reserve

The foreign currency translation 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 4c.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	112	516
Investments in subsidiaries	106,437	103,815
Interest in joint ventures	–	182
	106,549	104,513
Current assets		
Deposit, prepayments and other receivable	784	597
Cash and cash equivalents	1,194	1,361
	1,978	1,958
Current liabilities		
Other payables	25,676	8,126
Due to a director	–	6,331
Borrowings	1,201	–
	26,877	14,457
Net current liabilities	(24,899)	(12,499)
Total assets less current liabilities	81,650	92,014
NET ASSETS	81,650	92,014
Capital and reserves		
Share capital	88,872	88,872
Reserves	(7,222)	3,142
TOTAL EQUITY	81,650	92,014

31. CONTINGENT LIABILITIES

a. Make Success Limited

Pursuant to the sale and purchase agreement (the "Agreement") made on or about 8 November 2010 between the Company and Make Success, an independent third party, as amended by a supplemental agreement on 31 March 2011, the Group agreed to acquire from Make Success 100% equity interests in Yield Rise at 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 (the "Consideration"). 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 Port Development Joint Venture Co, Limited ("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. The acquisition was completed on 9 May 2011.

The fair value of consideration paid was as follows:

	RMB'000
Deposit for acquisition of equity interest in a company paid in last year	62,293
Cash consideration	20,489
Issue of consideration shares	89,026
Promissory notes	258,145
Convertible bonds	71,499
	501,452

In November 2011, the Group became aware of problem about the acquisition when the local management was reluctant to provide the Group financial information of Dan Tien and there was conflicting version of the development progress of the port. Therefore, the Group started investigating the acquisition. Through various investigations, the Group noted that there were false information and documents provided by or through Make Success in relation to the acquisition of Yield Rise. In January 2012, the Group commenced litigation against Make Success and certain parties involved in the acquisition (the "Defendants") to claim for the damages and rescission of the Agreement for breach of the Agreement and misrepresentation made by them and repayment of Consideration. The Group is negotiating with the Defendants for the settlement of the claims and proposes to enter a settlement deed with Make Success to resolve the matter of Yield Rise. Pursuant to the draft settlement deed, the Agreement shall be rescinded. Make Success shall (i) return the consideration shares to the Company and (ii) surrender the promissory notes and convertible bonds. The Company shall return the shares in Yield Rise to Make Success. Therefore, the Directors consider that it is appropriate to de-recognise the investment in Yield Rise Group, the promissory notes and convertible bonds. Resulting a loss on derecognition of RMB172,343,000 was recognised in consolidated profit or loss for the year ended 31 December 2011.

The Company is finalising the settlement deed and therefore, the Directors are in the opinion that the outcome of the litigation will not have significant impact on the Group's financial position.

b. Winding up petition

On 4 August 2014, Mr. Lai Yueh-Hsing, a former Director, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands ("Grant Court") to demand for the repayment of loan of HK$11,030,000 due to him. The Group acknowledged the loan was owing to him. On 7 November 2014 and judgment was handed down by Grant Court to dismiss the petition. Subsequently an appeal against the decision of the Grant Court was filed by Mr. Lai Yueh-Hsing. On 19 October 2017, the Company filed an application to strike out the appeal to the Cayman Islands Court of Appeal. The hearing of the Cayman Islands Court of Appeal was held on 15 November 2017 and order that both the appeal filed by Mr. Lai Yueh-Hsing and the Company be dismissed. Therefore, it is the opinion of the Directors that the outcome will not have a material impact on the Group's financial position.

c. Winding up petition against a subsidiary

Guangzhou Mayer, a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition. According to legal advice, the winding up petition against Guangzhou Mayer do not meet the conditions required by the relevant laws. The directors believe that the application of the winding up petition will be strike out by Intermediate Court.

d. Writs of summons against the Company

On 29 March 2012, writs of summons were issued by Capital Wealth Finance Company Limited and Capital Wealth Corporation Limited against the Company to claim the sum of HK$15,500,000 plus relevant legal costs incurred/to be incurred. The Company intends to contest the claim. In the directors' opinion, the ultimate liability, if any, will not have a material impact on the Group's financial position.

32. COMMITMENTS

The Group has no significant capital commitments outstanding at 31 December 2014 and 2013.

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Within 1 year	728	727
In second to fifth years	–	727
	728	1,454

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.

33. RELATED PARTY TRANSACTIONS

a. In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had no other transactions with its related parties during the year:

b. Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 14 is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Salaries and other short-term employee benefit	2,973	3,832
Retirement scheme contribution	8	12
	2,981	3,844

34. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at the end of reporting period are as follows:

Name of company	Place of incorporation	Particulars of issued and paid-up capital	Percentage of ownership		Principal activities
			Directly	Indirectly	
Bamian Investments Pte. Limited	Singapore	16,829,670 ordinary shares of SGD1 each	100%	–	Investment holdings
Guangzhou Mayer Corporation Limited#	PRC	Registered capital of RMB200,000,000	–	81.4%	Manufacturing of steel pipes and other products
Sunbeam Group Limited	the British Virgin Island	1 ordinary share of USD1 each	100%	–	Inactive
Top Force International Limited	the British Virgin Island	2,000 ordinary shares of USD1 each	100%	–	Inactive

Registered under the law of the PRC as a Sino foreign equity joint venture enterprise

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Guangzhou Mayer**	
	2014	**2013**
Principal place of business/ country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	18.6%	18.6%
	RMB'000	*RMB'000*
At 31 December:		
Non-current assets	63,501	67,720
Current assets	264,932	278,218
Current liabilities	(99,250)	(115,314)
Net assets	229,183	230,624
Accumulated NCI	48,692	48,961
Year ended 31 December:		
Revenue	541,360	561,105
(Loss)/profit	(1,447)	19,083
Total comprehensive income	(1,447)	19,083
(Loss)/profit allocated to NCI	(269)	3,549
Dividends paid to NCI	–	–
Net cash generated from operating activities	51,760	29,135
Net cash used in investing activities	(3,020)	3,492
Net cash used in financing activities	(49,202)	(29,558)
Net (decrease)/increase in cash and cash equivalents	(462)	3,069

As at 31 December 2014, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to RMB25,662,000 (2013: RMB23,872,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

35. EVENTS AFTER THE REPORTING PERIOD

The Company had made a clarification announcement on 1 April 2015 in relation to the business of the Dan Tien Port in Vietnam (the "Dan Tien Port Project") that due to insufficient funding made available by the previous management of the Company, the development of the port business of the Dan Tien Port Project had yet to be commenced. The property business of the Dan Tien Port Project, however, had been continuously developed. Also, pursuant to the relevant audited reports of each of the financial years for 2011, 2012 and 2013 (collectively, the "3-year Reports") provided by the local management of the Dan Tien Port, revenues were recorded and generated from the property business. Meanwhile, the Company's auditors had successfully completed the first round of the audit field works in the Dan Tien Port including the review of the 3-year Reports.

An extraordinary general meeting of the Company had been convened on 10 August 2015 upon the requisition dated 11 June 2015, in pursuant to article 68 of the articles of association of the Company, from two substantial Shareholders, Bumper East Limited and Aspial Investment Limited (the "2015 EGM"). The relevant circular of the 2015 EGM had been dispatched to the Shareholders on 14 July 2015. The poll results of the 2015 EGM confirmed and ratified the removal of the former Directors and the appointment of those newly appointed Directors concluded in the Company's another two extraordinary general meetings held respectively on 9 October 2014.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 April 2018.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	For the twelve months ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Continuing Operations:					
Revenue	546,958	489,450	498,478	561,105	541,360
Profit/(loss) before taxation	(102)	(240,329)	(36,115)	7,150	(13,950)
Income tax expense	(260)	–	(920)	–	(120)
Profit/(loss) from continuing operations	(362)	(240,329)	(37,035)	7,150	(14,070)
Discontinued operations:					
Profit/(loss) from discontinued operations	17,322	(9,307)	–	–	–
Profit/(loss) for the year	16,960	(249,636)	(37,035)	7,150	(14,070)
Attributable to:					
Owners of the Company	13,739	(247,456)	(36,103)	3,601	(13,801)
Non-controlling interests	3,221	(2,180)	(932)	3,549	(269)
	16,960	(249,636)	(37,035)	7,150	(14,070)

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets	244,649	84,124	72,988	65,181	60,376
Current assets	337,839	302,322	284,860	280,753	267,482
Current liabilities	(159,181)	(138,635)	(149,025)	(129,785)	(126,162)
	423,307	247,811	208,823	216,149	201,696
Share capital	69,306	88,872	88,872	88,872	88,872
Share premium and reserves	289,384	110,495	74,539	78,316	64,132
Non-controlling interests	64,617	48,444	45,412	48,961	48,692
	423,307	247,811	208,823	216,149	201,696