美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1116)

Annual Report 2017

* *For identification purpose only*

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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 *(Chairman)*
Mr. Deng Shimin

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION 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 DIRECTOR

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

Mr. Lee, aged 61, was nominated and appointed as an executive Director and the chairman of the Company by the Shareholders at the First EGM-2014. Mr. Lee is also the chairman of the nomination committee of the Board, an authorized representative and a director in a number of 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: 810), an independent non-executive director of Imperial Pacific International Holdings Limited (formerly known as First Natural Foods Holdings Limited) (stock code: 1076), and was a non-executive director of Jimei International Entertainment Group Limited (stock code: 1159) until 31 August 2013, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Lee is the sole and ultimate beneficial owner of Capital Wealth Finance Company Limited ("Capital Finance"), a licensed money lender under the Money Lenders Ordinance of Hong Kong.

As at the Latest Practicable Date, Capital Finance is pursuing two legal actions against the Company, namely, HCA 522/2012 and HCA 524/2012 (which have been consolidated into one case) ("First Action") and HCA 1306/2012 ("Second Action"). In the First Action, Capital Finance and its related company, Capital Wealth Corporation Limited, claimed against the Company for, amongst other things, outstanding loans in the sum of HK$15,500,000 and interests and costs. In the Second Action, Capital Finance claimed against the Company for, amongst other things, outstanding loans in the sum of HK$1,300,000 and interests and costs.

By virtue of the Provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Lee is deemed to be interested in 71,588,000 Shares, representing approximately 7.72% of the issued Shares, of which (a) 24,588,000 Shares representing 2.65% of the issued Shares are held by Capital Finance as registered and beneficial owner; and (b) 47,000,000 Shares representing 5.07% of the issued Shares are sought to be recovered from defendants including, Mr. Lai Yeuh-hsing (one of the Removed Directors) and Mr. Chan Lai Yin Tommy, the former company secretary of the Company under legal action HCA 686/2012.

Mr. Lee has entered into a letter of employment with the Company on 12 March 2015. Under the letter of employment, Mr. Lee is entitled to a director fee of HK$50,000 per month.

Mr. Xu Lidi ("Mr. Xu")

Mr. Xu, aged 50, was nominated and appointed as an executive Director by the Shareholders at the Second EGM-2014. Mr. Xu is also a director in a number of subsidiaries of the Company. 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. He also was senior management of China Rural Development Trust & Investment Corporation[#] (中國農村發展信託投資公司), and other financial and business corporations in the PRC. Mr. Xu has more than 20 years of experience in banking and financial sector.

Mr. Xu was 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. Xu has entered into a letter of employment with the Company on 12 March 2015. Under the letter of employment, Mr. Xu is entitled to a director fee of HK$50,000 per month.

Mr. Lin Jinhe ("Mr. Lin")

Mr. Lin, aged 37, was nominated and appointed as an executive Director by the Shareholders at the Second EGM-2014. Mr. Lin is also an authorized representative and a director of one wholly-owned subsidiary of the Company. Mr. Lin has over 13 years of management experience in papermaking industry. Mr. Lin graduated from Beijing Forestry University majoring in pulp and paper manufacturing in 2001.

As at the Latest Practice Date, 100,000,000 Shares are held by Bumper East Limited (one of the Requisitionists), a company wholly owned by Mr. Lin, representing approximately 10.78% of the issued Shares. By virtue of the Provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Lin is deemed to be interested in the 100,000,000 Shares held by Bumper East Limited.

Mr. Lin has entered into a letter of employment with the Company on 12 March 2015. Under the letter of employment, Mr. Lin is entitled to a director fee of HK$50,000 per month.

NON-EXECUTIVE DIRECTOR

Mr. Wang Dongqi ("Mr. Wang")

Since 14 February 2017, Mr. Wang has been a director of Guangzhou Mayer Corporation Limited, a subsidiary company of the Company. Mr. Wang had served in the navy of the People's Republic of China; 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.

Mr. Wang has entered into appointment agreement with the Company in relation to his appointment as a NED for an initial term of three year over which the appointment agreement can be terminated by either party upon the serving of three months' written notice. Mr. Wang will be subject to retirement at the next annual general meeting of the Company after his appointment and will then be eligible for re – election; thereafter, subject to retirement by rotation and re-election in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the bye-laws of the Company. Pursuant to the terms of the appointment agreement, Mr. Wang is entitled to receive an annual director's fee of HK$150,000. The remuneration of Mr. Wang is determined by the Board and its remuneration committee with reference to his duties and responsibilities with the Company and the prevailing market conditions.

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Mr. Ng, aged 38, was nominated and appointed as an independent non-executive Director by the Shareholders at the Second EGM-2014. Mr. Ng is also the chairman of the remuneration committee, and a member of each 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 12 years.

Mr. Ng is currently the financial consultants of two companies listed on the Singapore Exchange ("SGX"), namely China Oilfield Technology Services Group Limited (SGX stock code: DT2.SI) and Cacola Furniture International Limited (SGX stock code: D2U.SI), and an executive director, the chief financial officer and company secretary of Asian Citrus Holdings Limited (stock code: 73), the shares of which is listed on the Main Board of the Stock Exchange and AIM of London Stock Exchange.

Mr. Ng has entered into a letter of appointment with the Company on 15 January 2015. Under the letter of appointment, Mr. Ng is entitled to a director fee of HK$150,000 per year.

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

Mr. Lau, aged 68, was appointed as an independent non-executive Director by the Board on 9 October 2014 immediate after the Second EGM-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: 1689), and was an Executive Director and company secretary of Neptune Group Limited (stock code: 70) (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. Lau has entered into a letter of appointment with the Company on 15 January 2015. Under the letter of appointment, Mr. Lau is entitled to a director fee of HK$150,000 per year.

Mr. Deng Shimin ("Mr. Deng")

Mr. Deng, aged 58, graduated from the Zhengzhou University with a Bachelor Degree in Economics in 1983. Mr. Deng holds a Master's Degree in LLM rewarded by the China University of Political Science and Law in 1997 and a PhD in Economics rewarded by the Renmin University of China in 2003. Mr. Deng has extensive working experience and supervision in the financial industry. He 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 as 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.

Mr. Deng has entered into a letter of appointment with the Company with an initial term of one year commencing from 19 April 2016 and is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles of Association of the Company. Mr. Deng is entitled to a director fee of HK$150,000 per year, which is determined by the Board considering the recommendation of the remuneration committee of the Board, which was made taking into account of Mr. Deng's skill, knowledge and experience and will be reviewed by the Board regularly with reference to his duties and responsibilities with the Company.

COMPANY SECRETARY

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

Ms. Li 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 12 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. Ms. Li tendered her resignation as the company secretary, the authorised representative and the chief financial officer of the Company with effect from 9 August 2017 to pursue other career opportunities.

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

Mr. Leung has 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.

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 2017 (the "Year").

A NEW PAGE OF GUANGZHOU MAYER

The current management of the Company and Bamian Investments Pte. Limited, the wholly-owned subsidiary of the Company ("Bamian"), took numerous efforts during the past three years to renovate the management team and leadership of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), the only active and principal subsidiary of the Company during the Year. The efforts finally paid off when Bamian, being the controlling shareholder of Guangzhou Mayer, re-structured the board of directors of Guangzhou Mayer on 14 February 2017. The new board of directors of Guangzhou Mayer (the "GZM Board") had been legally established in pursuant to the Company Law of China and the articles of Guangzhou Mayer, of which four of the Company's directors; namely, Mr. Lee Kwok Leung, Mr. Xu Lidi, Mr. Lin Jinhe and Mr. Wang Dongqi had been elected as directors for the present term. Mr. Wang Dongqi had also been entrusted as the authorized official representative of Guangzhou Mayer as well as the new chairman of the GZM Board. Although the former directors of Guangzhou Mayer refused to assist the GZM Board to take over the governance of Guangzhou Mayer, the GZM Board developed the new management team of Guangzhou Mayer by itself to stabilize the status of the factory production and operation; to re-gain the trust from employees; to restore the business relationship with the suppliers and sales agents; to organize the collection, inspection and review of all possibly available documents of all aspects, including commercial contracts, accounting ledgers and supporting vouchers; and ultimately, to help Guangzhou Mayer back to its right track for producing profits again to the shareholders of the Group.

PROGRESS OF RESUMPTION

Trading of the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended since 9 January 2012 pending the satisfaction of resumption conditions, which had been disclosed by way of an announcement on 14 June 2017 by the Stock Exchange. Upon the completion of the change of leadership in Guangzhou Mayer by the middle of July 2017, the Board decided to re-organise its resumption taskforce, engaging another professional consultant agency to take charge of the overall planning in the application to the Stock Exchange for the resumption of trading of the Shares. Equally important, the auditing works on the financial accounts of the Group for the last seven years began simultaneously. Due to enormous workload involved, the entire audit of the Group's accounts, however, had not been completed by the end of the Year; inevitably, the publications of the Group's outstanding financial results over the last seven years were furtherly delayed to the second quarter of 2018.

In my opinion, the progress of the resumption application to the Stock Exchange proceeds efficiently and effectively. The first draft of the Company's viable resumption proposal had been submitted to the Stock Exchange on 28 November 2017 and the Stock Exchange had informed the Company on 12 January 2018 that it conditionally agreed to allow the Company to proceed all the transactions contemplated under the final draft of the resumption proposal (the "Resumption Proposal"). However, it should be aware that if the Company fails to do so or the Resumption Proposal fails to proceed for any reason, the Stock Exchange will proceed to cancel the listing of the Shares on the Stock Exchange. As at the date of this report, the Company's resumption taskforce was still working on an announcement in relation to the transactions contemplated under the Resumption Proposal to the general public.

DAN TIEN PORT PROJECT

Since the Board believes that it is not commercially viable for the best interest of the Company to develop the Dan Tien Port project in Vietnam based on a number of commercial reasons, the Company and its lawyers are working on a settlement deed to resolve the matter of Dan Tien Port project, attempting to rescind and void the acquisition transactions completed on 9 May 2011. The shareholders of the Company (the "Shareholders") shall be informed of the progress of the proposed settlement deed on a timely fashion.

MATERIAL LITIGATIONS

Ever since the new board of directors of the Company was established on 9 October 2014, the Group has continuously encountered a series of legal actions in both local jurisdiction and overseas. Proceed with due care, clear descriptions of the updates on all ongoing legal actions in relation to the Group had been timely provided to the Shareholders by means of periodic or prompt announcements during the Year. Notwithstanding any possible unfavorable judgment against the Company or any of its subsidiaries, the Board believes that all litigations in proceeding do not materially affect the financial position of the Group.

ACKNOWLEDGEMENT

In view of the reality that most obstacles along the way to the resumption of trading of Shares have been resolved by the years, the Board is still absolutely confident and determined to overcome the remaining difficulties and challenges right after the Year. On behalf of the Group, I would like to express my sincere gratitude to all our shareholders, management team, dedicated staff, creditors and professional advisors for their continuous support and valuable assistance in fighting the battle of resumption throughout the Year.

By order of the Board
Lee Kwok Leung
Chairman of the Board

REVIEW OF RESULTS

For the year ended 31 December 2017, the Group reported consolidated revenue of approximately RMB367,107,000 representing a decrease of 5.5% over last year. Gross profit margin was 11.8% compared to last year's 13.6%. Loss attributable to owners of the Company was approximately RMB14,606,000, compared with last year's profit of approximately RMB14,825,000. Loss per share for the year was RMB1.57 cents versus last year profit per share RMB1.60 cents.

BUSINESS REVIEW

The primary focus for the management of the Group in 2017 is the formulation of internal governance manual for the Company, optimization of rules and procedures of the Company, and resumption of audit system which has been suspended for years. The management has also conducted a comprehensive review on the Group's historical accounts and operations, cooperated with regulatory authorities to carry out investigations to properly address all legal proceedings against the Group and the Company, and commenced legal actions against the former management in relation to their illegal acts. Complying with the guidelines of the regulatory authorities, the management will cooperate with the professional advisory team, complete and optimize all the works necessary for the resumption of trading of the Company's shares in a legal way.

At the same time, the Company's management team continues to cooperate with the central authorities based in Hong Kong and administrative authorities in the PRC, and negotiate repeatedly with relevant regulatory authorities of the PRC in order to commence a series of legal proceedings against the former management of Guangzhou Mayer, which was led by Lo Haw. Under the supervision and assistance of the central government, the Company had successfully prevented any further illegal actions that may be done by former management, appointed new management of Guangzhou Mayer and resumed the complete, original articles of association of Guangzhou Mayer. The Company reviewed comprehensively the historical operation record of Guangzhou Mayer and discovered that the former management, which was led by Lo Haw, had deliberately violated the article of association and illegally amended the articles of association without notifying the general meeting. The former management refused the statutory control from the Company, annual audit on Guangzhou Mayer, convening annual general meeting, and hollowed out the power of general meeting. After reorganizing of the board of directors of Guangzhou Mayer without formal permission, the former management transferred the assets of the company, which was amounted to more than RMB70 million, away at their will for illegal investments and expenditures, hence seriously damaged and violated the interests of the Group and the shareholders of Guangzhou Mayer.

After replacement of former management of Guangzhou Mayer, the new management has formulated the corporate governance system and internal governance manual based on the guidelines of the Company. All members of the board of directors of Guangzhou Mayer have guaranteed the Company that, all the operations and their behaviors are under strict compliance with the Listing Rules of Hong Kong, and that they will manage Guangzhou Mayer in accordance with laws, and commit themselves to working together with the Company for the comprehensive audit on Guangzhou Mayer. The new management of Guangzhou Mayer has quickly submitted the audit reports for various years to the Company, and actively cooperated the audit works for the previous seven years (including Year 2017) conducted by the Company. The new management of Guangzhou Mayer has taken legal actions against the former management, which was led by Lo Haw, for their illegal behaviors, and handed over the relevant criminal cases to the public security bureau for further investigation. For those civil cases, Guangzhou Mayer has taken legal proceedings and pursued claims against the relevant individuals and parties, so that Guangzhou Mayer has recovered losses of more than RMB 10 million. Moreover, the new management of Guangzhou Mayer worked day and night to quickly resume the production and operation of Guangzhou Mayer, formulated the operation plan for 2018, and organized the industrial hearing. As a result, Guangzhou Mayer has resumed normal operation situation within a very short period of time, leading to continuous expansion in its production and marketing, as well as contribution to the harmony of the society as supported and recognized by the local government.

PRODUCTION AND SALES

The revenue from indirect export sales of steel products in the PRC during the year was approximately RMB95,277,000, representing decrease of approximately 21.1% compared with approximately RMB120,699,000 for the last year. The revenue from domestic sales of steel products in the PRC during the year was approximately RMB263,459,000, representing a increase of approximately 1.7% compared with approximately RMB259,028,000, for the last year. The revenue from direct export sales of steel products outside the PRC during the year was approximately RMB8,371,000 representing a decrease of approximately 6.5% while it was approximately RMB8,951,000 for the last year.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB43,418,000 for the year, with a gross profit margin of approximately 11.8%, compared with the gross profit of approximately RMB52,830,000 and a gross profit margin of approximately 13.6% for the last year.

This was mainly attributable to the increase in the material cost for the year of 2017.

OPERATING EXPENSES

The total operating expenses of the Group for the year were approximately RMB65,412,000, of which approximately RMB17,667,000 in distribution costs, RMB47,744,000 in administrative expenses and RMB1,000 in other operating expenses, accounting for approximately 4.8%, 13.0% and 0.1% of revenue respectively while the amounts for the last year were approximately RMB16,640,000, RMB33,191,000 and RMB336,000 respectively, accounting for approximately 4.3%, 8.5% and 0.1% respectively. The increase in operating expenses was mainly attributable to the increase in legal and professional fees for the year 2017.

FINANCE COSTS

During the year, the Group's incurred approximately RMB3,531,000 in finance costs, compared with approximately RMB4,000,000 for the last year. The Group relied on borrowings to finance its trading activities and working capital, the decrease in finance costs paid during the year was mainly due to the settlement of bank borrowings.

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 2017, the Group had bank deposits and cash balances of approximately RMB31,317,000.

The Group had net current assets of approximately RMB110,162,000 as at 31 December 2017 as compared with approximately RMB155,116,000 as at 31 December 2016. The current ratio (current assets divided by current liabilities) changed to approximately 1.97 as at 31 December 2017 from 1.96 as at 31 December 2016.

The Group had a total of approximately RMB36,922,000 borrowings from third parties 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 2017 was approximately 56.9% while it was 77.1% as at 31 December 2016. Current portion of borrowings accounted for approximately 7.1% and 19.7% of the total assets of the Group as at 31 December 2017 and 31 December 2016, respectively.

CASH FLOW

For the year, the Group generated net cash outflow of approximately RMB32,768,000 from its operating activities, as compared to net cash inflow of approximately RMB21,242,000 for the last year. The increase in net cash outflow from operating activities was primarily due to the increase in trade receivables and other receivables and the operating loss. Net cash outflow of approximately RMB42,735,000 was from investing activities for the year, mainly due to the increase in long term receivables. Net cash outflow of approximately RMB37,465,000 was from financing activities, mainly resulted from the settlement of bank borrowings. Banks deposits and cash balances as at 31 December 2017 amounted to approximately RMB31,317,000, 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 2017, approximately RMB31 million assets were pledged to third parties for securing the borrowings 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 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 Group, the promissory notes and convertible bonds were not recognised in the consolidated financial statements.

   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.

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 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.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2017, the Group had total of 336 employees. Total staff costs for the year ended 31 December 2017 were approximately RMB44,417,000, including retirement benefits cost of approximately RMB5,914,000. 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's share option scheme had expired on 24 May 2014 and no option had ever been granted under the scheme since its adoption on 24 May 2004. The Board would consider a new share option scheme to be approved by the Shareholders after the Shares have been resumed trading on the Stock Exchange.

OUTLOOK

The capacity of steel factories will be under further control as the total demand and supply from the steel market of the PRC for the year 2018 will be affected by the sustained effort from both the central and local governments against the "sub-standard steel", as well as strict compliance on policies in relation to the improvement on environmental friendliness and reduction of capacity. On one hand, there will be growth in steel demand due to construction based on the "Belt and Road" policy and strong development in railway transportation and automobile industries. On the other hand, suffering from reduced growth in investment on real estate industry, the overall steel demand for the year in the PRC could only maintain a trend of stable growth. In short, the steel cutting and steel pipe production operated by the Group are in the supply side of the steel industry. As the market demand of such aspects in the PRC remains strong, there may be further development on both operations.

The growth for overall GDP of the PRC for the year 2018 is expected to be around 6.5%. As there is continuous improvement of living standard in the PRC, both the central and local governments strongly promote the application of stainless steel water pipes. The PRC Ministry of Housing and Construction has promulgated a number of favorable policies such as "Standard of stainless steel pipes for drinking water", while the local water supply companies have correspondingly formulated the proposal for the reform of water pipe network. Stainless steel pipes will be adopted in the main water supply pipelines, leading to the trend of rapid growth in the domestic demand of stainless steel pipes. The stainless steel pipes and fittings business operated by Guangzhou Mayer, a company located in the developed market in the South China, could enjoy a better development along with the rapid growth of market in this aspect in the PRC , while the steel cutting business will be under great development potential benefitting from local development.

On the contrary, under adverse effects such as weak global economy, weak US dollars, increasing labour costs in the PRC and inflation of other goods, the Group expects that the fluctuation of exchange rates and gradual increase in operating costs will continue in 2018, and it is without doubt that the Group's overall profitability may be adversely affected. Moreover, the operation of the Group is facing various challenges due to the increasingly fierce market competition. In spite of the difficulties, the Group, especially the new management of Guangzhou Mayer, will continue to strive to seize business opportunities of the PRC market, develop the existing businesses properly and actively explore new businesses. The Group will also continue to explore opportunities in equity investment, seize the potential growth and aim for balanced development.

The management of the Company unanimously believes that with utilizing extensive experiences in marketing, product research and development, customer development and services, production operation and cost control, the Group can enhance the competitiveness and additional value of its products, seek the best economic benefits, fully realize any investment opportunities which are beneficial for the long-term development of the Company and generate greater value for our 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

The existing Board has reviewed the Company's corporate governance practices for the financial year ended 31 December 2017 ("Financial 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.1.8	No insurance cover was arranged for the Financial Year. The Company will arrange insurance cover immediately upon the resumption of trading of the Company's shares.
A.2.5	The Company was not in compliance with certain code provisions as set out in the CG Code for the Financial 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 Financial 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.
C.1.5	Due to change of auditor, there were no annual and interim results of the Group for the Financial 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 Financial Year. General meeting of the Company will be arranged in due course.

BOARD OF DIRECTORS

As at 31 December 2017, the Board consisted of three executive directors and five non-executive directors (of whom three 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 are provided on pages 2 to 6 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.

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director processing appropriate professional qualifications, or accounting or related financial management expertise.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Lee Kwok Leung, execute Director, 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.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

The Company had received from each of the Directors' confirmations on taking continuous professional training.

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.

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.

According to Rule 3.29 of the Listing Rules, Mr. Leung took more than 15 hours of relevant professional training.

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 Financial Year is set out in the table below.

Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive director			
Mr. Lee Kwok Leung		C	
Mr. Xu Li Di			
Mr. Lin Jin He			
Non-executive directors			
Mr. Li Deqiang (resigned on 7 April 2017)		M	M
Mr. Xia Liang Bing (resigned on 17 August 2017)			
Mr. Wang Dong Qi (appointed on 17 August 2017)			
Independent non-executive directors			
Mr. Ng Cheuk Lun	M	M	C
Mr. Lau Kwok Hung	C	M	M
Mr. Deng Shimin	M	M	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 3 independent 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 3 independent non-executive directors and one non-executive director (1 of independent non-executive directors is the Committee Chairman).

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

BOARD AND COMMITTEE ATTENDANCE

The Directors' attendance record during the Financial Year is as follows:

	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Executive Directors:				
Mr. Lee Kwok Leung	18/18			
Mr. Xu Lidi	18/18			
Mr. Lin Jinhe	18/18			
Non-executive Directors:				
Mr. Li Deqiang	6/18			
Mr. Xia Liang Bing	12/18			
Mr. Wang Dongqi	5/18			
Independent non-executive Directors:				
Mr. Lau Kwok Hung	17/18	4/4	3/3	2/2
Mr. Ng Cheuk Lun	17/18	4/4	3/3	2/2
Mr. Deng Shimin	17/18	4/4	3/3	2/2

During the Financial 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.

In 2017, the Board through external consultant, had conducted a review of the effectiveness of material control, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate.

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 RMB811,000, of which RMB683,000 was incurred for statutory audit and RMB128,000 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 ACCOUNTS

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 Financial 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 29 to 33.

SHAREHOLDER RIGHTS

In accordance with the Article 68 of the Articles of Association of the Company, one or more shareholders of the Company 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 Mayer Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

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 39 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 11 to the consolidated financial statements.

RESULTS

The Group's result for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 34 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.

BUSINESS REVIEW

Details of business review during the Year are set out in section "Business Review" on page 9 to page 10 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 are set out in note 39 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 33 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 2017 amounted to RMB12,672,000 (2016: RMB30,972,000).

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 9.8% and 28.3% of the Group's total turnover for the year, respectively. The largest and the five largest suppliers accounted for 70% and 86% 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 Company's share option scheme had expired on 24 May 2014 and no option had ever been granted under the scheme since its adoption on 24 May 2004. The Board would consider a new share option scheme to be approved by the Shareholders for the purpose of providing incentives and rewards to eligible participants when all necessary prerequisites are available after the Shares have been resumed trading on the Stock Exchange.

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
Mr. Lee Kwok Leung
Mr. Lin Jinhe

Non-executive directors

Mr. Li Deqiang	(resigned on 7 April 2017)
Mr. Xia Liangbing	(appointed on 17 August 2017)
Mr. Wang Dongqi	(appointed on 9 August 2017)

Independent non-executive directors

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

In accordance with article 112 of the Company's Articles of Association, each of Mr. Ng Cheuk Lun, Mr. Lau Kwok Hung, Mr. Xu Lidi, Mr. Deng Shimin, Mr. Lee Kwok Leung and Mr. Lin Jinhe 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 6.

EMOLUMENTS OF DIRECTORS

Details of the emoluments of the Directors of the Group are set out in note 15 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss for the year are set out in notes 14 and 30 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 2017 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (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 38 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 2017, 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
Lin Jinhe	*(1)*	Interest of controlled corporation Beneficial owner	100,000,000	10.78%

Note 1: 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 ("Bumper East"), 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. Save as disclosed hereby, Bumper East is independent third party to the Group as defined under the Listing Rules and is not a party acting in concert with any of the Shareholders.

Save as disclosed above, as at 31 December 2017, 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	*(2)*	Beneficial owner	100,000,000	10.78%
Bumper East Limited	*(1)*	Beneficial owner	100,000,000	10.78%
Make Success Limited	*(3)*	Beneficial owner	236,363,636	25.48%
Valley Park Global Corporation	*(4)*	Beneficial owner	46,640,000	5.03%

Note 2: 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 3: 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 4: 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 2017, 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 of the Company 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 2017.

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

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 34 to 90, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2016, 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 Limited accounting books and records of the Group

As we were appointed as auditors of the Company subsequent to the year ended 31 December 2016, we were unable to attend the physical count of inventories of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer", a subsidiary of the Company) as at 31 December 2016. In addition to the insufficiency of supporting documentation and explanations for accounting books and records in respect of Guangzhou Mayer for the year ended 31 December 2015, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2016 and 2017, the assets and liabilities as at 31 December 2016, 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:

	2017	**2016**
	RMB'000	*RMB'000*
Cost of goods sold	323,689	300,290
Depreciation	–	818

Assets and liabilities as at 31 December:

	2016
	RMB'000
Non-current assets	
Property, plant and equipment	5,464
Current assets	
Inventories	6,418
	11,882

3 Unconsolidation of Yield Rise Limited

As stated in note 35(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 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 2017 and 2016. 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 35(a) should be recognised in the Group's consolidated financial statements.

4 Available-for-sale financial assets

As stated in note 22 to the consolidated financial statements, the investment in 29.85% equity interest in Vietnam Mayer Company Limited ("Vietnam Mayer") is recognised as available-for-sale financial assets. We have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer during the years ended 31 December 2017 and 2016. Therefore, we are unable to determine whether (i) Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting up to the date the Group ceased to have significant influence over Vietnam Mayer and any gain or loss should be recognised on deemed disposal as at that date; and (ii) the dividend income from Vietnam Mayer of approximately RMB7,482,000 and RMB13,772,000 should be charged to consolidated profit or loss for the year ended 31 December 2017 and 2016 respectively. In addition, we have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount of RMB11,766,000 as at 31 December 2016.

5 Long term receivable

We have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the long term receivables of approximately RMB50 million as at 31 December 2017. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 5 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2017 and 2016 and the financial position of the Group as at 31 December 2017 and 2016, 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 RMB13,041,000 for the year ended 31 December 2017. 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 issued by the Hong Kong Institute of Certified Public Accountants 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 Hong Kong Institute of Certified Public Accountants 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, 30 April 2018

Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	8	367,107	388,678
Cost of sales		(323,689)	(335,848)
Gross profit		43,418	52,830
Other income	9	15,635	22,460
Other net (loss)/income	10	(2,234)	2,283
Distribution costs		(17,667)	(16,640)
Administrative expenses		(47,744)	(33,191)
Other operating expenses		(1)	(336)
(Loss)/profit from operations		(8,593)	27,406
Impairment loss on amounts due from investee companies		(17)	(181)
Finance costs	12	(3,531)	(4,000)
(Loss)/profit before tax		(12,141)	23,225
Income tax expense	13	(900)	(3,467)
(Loss)/profit for the year	14	(13,041)	19,758
(Loss)/profit for the year attributable to:			
Owners of the Company		(14,606)	14,825
Non-controlling interests		1,565	4,933
		(13,041)	19,758
(Loss)/earnings per share			
Basic and diluted (RMB cents)	17	(1.57)	1.60

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
(Loss)/profit for the year		(13,041)	19,758
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		8,497	(7,641)
Items that may not be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(4,418)	4,890
Available-for-sale financial assets:			
Net movement in the investment revaluation reserve		42,259	–
Other comprehensive income for the year, net of tax	18	46,338	(2,751)
Total comprehensive income for the year		33,297	17,007
Total comprehensive income for the year attributable to:			
Owners of the Company		31,732	12,074
Non-controlling interests		1,565	4,933
		33,297	17,007

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	19	32,120	35,906
Prepaid land lease payments	20	5,974	6,196
Interest in joint ventures	21	–	–
Available-for-sale financial assets	22	68,111	11,766
Long term receivables	23	50,000	–
		156,205	53,868
Current assets			
Inventories	24	51,520	47,359
Trade and other receivables	25	140,690	125,608
Prepaid land lease payments	20	222	222
Financial assets at fair value through profit or loss	26	–	721
Current tax assets		276	–
Cash and cash equivalents	27	31,317	142,379
		224,025	316,289
Current liabilities			
Trade and other payables	28	86,941	87,087
Current tax payable		–	1,071
Borrowings	29	26,922	73,015
		113,863	161,173
Net current assets		110,162	155,116
Total assets less current liabilities		266,367	208,984
Non-current liabilities			
Long term borrowings	29	10,000	–
Deferred tax liabilities	31	14,086	–
		24,086	–
NET ASSETS		242,281	208,984

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	32	88,872	88,872
Reserves		97,914	66,182
Equity attributable to owners of the Company		186,786	155,054
Non-controlling interests		55,495	53,930
TOTAL EQUITY		242,281	208,984

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Investment revaluation reserve *RMB'000*	Special reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Foreign currency translation reserve *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016	88,872	196,113	–	67,570	24,713	4,950	(23,128)	(216,110)	142,980	48,997	191,977
Total comprehensive income for the year	–	–	–	–	–	–	(2,751)	14,825	12,074	4,933	17,007
Appropriation to statutory surplus reserve	–	–	–	–	1,179	–	–	(1,179)	–	–	–
At 31 December 2016	88,872	196,113	–	67,570	25,892	4,950	(25,879)	(202,464)	155,054	53,930	208,984
At 1 January 2017	88,872	196,113	–	67,570	25,892	4,950	(25,879)	(202,464)	155,054	53,930	208,984
Total comprehensive income for the year	–	–	42,259	–	–	–	4,079	(14,606)	31,732	1,565	33,297
At 31 December 2017	88,872	196,113	42,259	67,570	25,892	4,950	(21,800)	(217,070)	186,786	55,495	242,281

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(12,141)	23,225
Adjustment for:		
Interest income	(378)	(1,161)
Finance costs	3,531	4,000
Dividend income	(7,482)	(13,800)
Depreciation	4,367	5,318
Amortisation of prepaid land lease payments	222	222
Impairment loss/(reversal of impairment loss) on trade and other receivables	176	(281)
Reversal of write down of inventories	–	(574)
Impairment loss on amounts due from investee companies	17	181
Net loss on disposal of property, plant and equipment	14	42
Operating (loss)/profit before working capital changes	(11,674)	17,172
Change in inventories	(4,161)	(2,397)
Change in trade and other receivables	(15,275)	8,789
Change in financial assets at fair value through profit or loss	721	(721)
Change in trade and other payables	(146)	795
Cash (used in)/generated from operations	(30,535)	23,638
Income tax paid	(2,233)	(2,396)
Net cash (used in)/generated from operating activities	(32,768)	21,242
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	11	5
Payment for purchase of property, plant and equipment	(606)	(2,536)
Dividend income	7,482	13,800
Long term receivables	(50,000)	–
Interest received	378	1,161
Net cash (used in)/generated from investing activities	(42,735)	12,430

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceed from new borrowings	95,825	174,697
Repayment of borrowings	(129,759)	(138,308)
Interest paid	(3,531)	(4,000)
Net cash (used in)/generated from financing activities	(37,465)	32,389
Net (decrease)/increase in cash and cash equivalents	(112,968)	66,061
Cash and cash equivalents at beginning of year	142,379	77,986
Effect of changes in foreign exchange rate	1,906	(1,668)
Cash and cash equivalents at end of year	31,317	142,379
Analysis of cash and cash equivalents		
Bank and cash balances	31,317	142,379

1. GENERAL INFORMATION

Mayer Holdings Limited (the "Company") is an exempted company with limited liability incorporated in Cayman Islands and its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 39 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately RMB13,041,000 for the year ended 31 December 2017. Also, there are pending litigations and winding up petitions against the Group, details of which are stated in note 35 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 latest progress of the negotiation of settlement agreements in connection with the acquisition of Yield Rise Limited ("Yield Rise") and the legal advices on winding up petitions cause the directors of the Company (the "Directors") to believe that 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 and non-current liabilities as current assets and current liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. 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 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 as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss which are carried at their fair values.

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).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the directors' expectation that the 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) Fair value of investment

The available-for-sale financial assets are measured at fair value at the reporting date. The determination of fair value for the available-for-sale financial assets which there is no observable market price, requires the use of valuation techniques which involves significant management estimation. The details of fair value measurement are described in Note 7.

(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 8.3% (2016: 6.8%) and 28.0% (2016: 21.2%) 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	**2-5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Borrowings	29,602	10,089	39,691
Trade and other payables	74,414	–	74,414
	104,016	10,089	114,105
At 31 December 2016			
Borrowings	75,133	–	75,133
Trade and other payables	70,034	–	70,034
	145,167	–	145,167

(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 2017, 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 2017

	2017	**2016**
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale financial assets	68,111	11,766
Financial assets at fair value through profit or loss	–	721
Loans and receivables (including cash and cash equivalents)	200,696	260,997
Financial liabilities		
Financial liabilities at amortised cost	111,336	143,049

7. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2017:

	Fair value measurements as at 31 December 2017 using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Description				
Recurring fair value measurements:				
Available-for-sale financial assets	–	–	68,111	68,111
Total recurring fair value measurements	–	–	68,111	68,111

Disclosures of level in fair value hierarchy at 31 December 2016:

	Fair value measurements as at 31 December 2016 using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Description				
Recurring fair value measurements:				
Financial assets at fair value through profit and loss – listed equity securities	721	–	–	721
Total recurring fair value measurements	721	–	–	721

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**Available-for-sale financial assets**	
	2017	**2016**
	RMB'000	*RMB'000*
At 1 January	–	–
Additions	11,766	–
Total gain recognised in other comprehensive income	56,345	–
At 31 December	68,111	–

The total gain recognised in other comprehensive income are presented in fair value gains on available-for-sale financial assets in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017:

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2017** *RMB'000*
Available-for-sale financial assets	Market comparable approach	Average price to earning ratio	9.56	Increase	
		Earnings	RMB37,372,000	Increase	
		Discount for lack of marketability/control	20%	Decrease	
					68,111

8. 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:

	2017	**2016**
	RMB'000	*RMB'000*
Sales of steel pipes, steel sheet and other products made of steel	367,107	388,678

9. OTHER INCOME

	2017	**2016**
	RMB'000	*RMB'000*
Bank interest income	378	1,161
Dividend income	7,482	13,800
Government subsidy #	1,852	1,000
Scrap sales	5,768	6,096
Sundry income	155	403
	15,635	22,460

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.

10. OTHER NET (LOSS)/INCOME

	2017	**2016**
	RMB'000	*RMB'000*
Net loss on disposal of property, plant and equipment	(14)	(42)
Net exchange loss	(1,995)	(122)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(49)	2,166
(Impairment)/reversal of impairment loss on trade receivables	(175)	288
Impairment loss on other receivables	(1)	(7)
	(2,234)	2,283

11. 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 People's Republic of China (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 available-for-sale financial assets and 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 and deferred tax 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. 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 from financial assets at fair value through profit or loss, 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, 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 2017 and 2016 is set out below:

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

	Year ended 31 December 2017		
	Steel – PRC	**Investment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	367,107	–	367,107
Segment profit/(loss)	3,940	(108)	3,832
Interest income	378	–	378
Interest expenses	1,833	–	1,833
Dividend income	–	–	–
Fair value loss on financial assets at fair value through profit or loss	–	49	49
Depreciation and amortisation	4,589	–	4,589
Net loss on disposal of property, plant and equipment	14	–	14
Impairment loss on trade and other receivables	–	–	–
Write down of inventories	–	–	–
Reversal of impairment loss on trade and other receivables	176	–	176
Reversal of write down of inventories	–	–	–
Income tax expense	861	39	900
Segment assets	309,951	19	309,970
Segment liabilities	48,968	204	49,172
Interests in joint ventures	–	–	–
Additions to non-current assets	606	–	606

	Year ended 31 December 2016		
	Steel – PRC	**Investment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	388,678	–	388,678
Segment profit	18,341	545	18,886
Interest income	1,136	24	1,160
Interest expenses	1,651	–	1,651
Dividend income	–	28	28
Fair value gain on financial assets at fair value through profit or loss	–	2,166	2,166
Depreciation and amortisation	5,447	–	5,447
Net loss on disposal of property, plant and equipment	42	–	42
Impairment loss on trade and other receivables	–	–	–
Write down of inventories	–	–	–
Reversal of impairment loss on trade and other receivables	281	–	281
Reversal of write down of inventories	574	–	574
Income tax expense	3,296	171	3,467
Segment assets	355,991	1,212	357,203
Segment liabilities	113,423	328	113,751
Interests in joint ventures	–	–	–
Additions to non-current assets	2,536	–	2,536

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

	2017 *RMB'000*	2016 *RMB'000*
Profit or loss:		
Total profit of reportable segments	3,832	18,886
Finance cost	(3,531)	(4,000)
Dividend income	7,482	13,772
Depreciation	–	–
Corporate and unallocated profit or loss	(19,924)	(5,433)
Consolidated (loss)/profit before taxation for the year	(12,141)	23,225
Assets:		
Total assets of reportable segments	309,970	357,203
Corporate and unallocated assets:		
– Available-for-sale financial assets	68,111	11,766
– Others	2,149	1,188
Consolidated total assets	380,230	370,157
Liabilities:		
Total liabilities of reportable segments	49,172	113,751
Deferred tax liabilities	14,086	–
Corporate and unallocated liabilities	74,691	47,422
Consolidated total liabilities	137,949	161,173

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:

No customers individually contributed more than 10% of the total consolidated revenue of the Group for the years ended 31 December 2017 and 2016.

12. FINANCE COSTS

	2017	**2016**
	RMB'000	*RMB'000*
Bank interest expenses	1,833	1,651
Other loans interest	1,386	1,706
Other finance charges	312	643
	3,531	4,000

13. INCOME TAX EXPENSE

	2017	**2016**
	RMB'000	*RMB'000*
Current tax		
PRC corporation income tax	861	3,298
Hong Kong profits tax	39	169
	900	3,467

Hong Kong Profits Tax is provided at 16.5% based on the assessable profit for the year.

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% (2016: 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:

	2017 RMB'000	2016 RMB'000
(Loss)/profit before tax	(12,141)	23,225
Tax at the rates applicable to profits in the countries concerned	(1,230)	6,364
Tax effect of non-taxable income	(1,866)	(3,439)
Tax effect of non-deductible expenses	2,212	1,806
Tax effect of utilisation of tax losses not recognised in prior year	–	(1,122)
Tax effect of tax loss not recognised	1,554	–
Tax effect of temporary difference not recognised	–	(372)
Others	230	230
Income tax expense for the year	900	3,467

14. (LOSS)/PROFIT FOR THE YEAR

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

	2017 RMB'000	2016 RMB'000
Auditor's remuneration		
– audit services	683	571
– other services	128	128
Cost of inventories sold#	323,689	335,848
Depreciation	4,367	5,318
Amortisation of prepaid lease payments	222	222
Net exchange loss	1,995	122
Operating lease charges in respect of land and buildings	595	586
Net loss on disposal of property, plant and equipment	14	42
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	38,503	36,021
– Retirement benefits scheme contributions	5,914	6,309
	44,417	42,330

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

	2017 RMB'000	2016 RMB'000
Depreciation	3,787	4,552
Reversal of write down of inventories	–	(574)
Staff costs	17,879	17,449

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2017	*Note*	Directors' Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive Directors					
Mr. Xu Lidi		–	520	–	520
Mr. Lee Kwok Leung		–	520	–	520
Mr. Lin Jinhe		–	520	–	520
Non-executive Directors					
Mr. Li Deqiang	*a*	23	–	–	23
Mr. Wang Dongqi	*b*	54	–	–	54
Mr. Xia Liangbing	*c*	–	–	–	–
Independent Non-executive Directors					
Mr. Ng Cheuk Lun		130	–	–	130
Mr. Lau Kwok Hung		130	–	–	130
Mr. Deng Shimin	*d*	130	–	–	130
Total for the year ended 31 December 2017		467	1,560	–	2,027

2016	*Note*	Directors' Fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive Directors					
Mr. Xu Lidi		–	513	–	513
Mr. Lee Kwok Leung		–	513	16	529
Mr. Lin Jinhe		–	513	–	513
Non-executive Directors					
Mr. Li Deqiang	*a*	86	–	–	86
Mr. Xia Liangbing	*c*				
Independent Non-executive Directors					
Mr. Ng Cheuk Lun		128	–	–	128
Mr. Lau Kwok Hung		128	–	–	128
Mr. Deng Shimin	*d*	90	–	–	90
Mr. Huang Jian Wei	*e*	39	–	–	39
Total for the year ended 31 December 2016		471	1,539	16	2,026

Notes:

a Resigned on 7 April 2017
b Appointed on 17 August 2017
c Resigned on 17 August 2017
d Appointed on 16 April 2016
e Resigned on 19 April 2016

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 three (2016: one) director, whose emoluments are reflected in the analysis above. The emoluments of the remaining two (2016: four) individuals are set out below:

	2017	**2016**
	RMB'000	*RMB'000*
Basic salaries and allowances	923	3,142
Retirement benefits scheme contributions	10	14
	933	3,156

The emoluments fell within the following bands:

	Number of individuals	
	2017	**2016**
Emolument band:		
Nil – HK$1,000,000	2	3
HK$1,000,001 – HK$1,500,000	–	1
	2	4

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.

16. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2017 and 2016.

17. (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 RMB14,606,000 (2016: profit of approximately RMB14,825,000) and the weighted average number of 927,564,000 ordinary shares (2016: 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.

18. OTHER COMPREHENSIVE INCOME FOR THE YEAR

Items of other comprehensive income for the year with their respective related tax effects as follows:

	2017			2016		
	Amount before tax	Tax	Amount after tax	Amount before tax	Tax	Amount after tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translating foreign operations	4,079	–	4,079	(2,751)	–	(2,751)
Available-for-sale financial assets: Net movement in the investment revaluation reserve	56,345	(14,086)	42,259	–	–	–
	60,424	(14,086)	46,338	(2,751)	–	(2,751)

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures, fixture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At cost							
At 1 January 2016	43,385	3,868	104,172	3,494	2,142	1,986	159,047
Additions	–	156	542	248	888	702	2,536
Transfer	–	–	1,524	–	–	(1,524)	–
Disposals	–	–	(104)	(196)	–	–	(300)
Exchange differences	–	1	–	–	71	–	72
At 31 December 2016 and 1 January 2017	43,385	4,025	106,134	3,546	3,101	1,164	161,355
Additions	–	–	39	128	–	439	606
Transfer	–	–	791	627	–	(1,418)	–
Disposals	–	–	(76)	(136)	–	–	(212)
Exchange differences	–	(2)	–	–	(79)	–	(81)
At 31 December 2017	43,385	4,023	106,888	4,165	3,022	185	161,668
Accumulated depreciation							
At 1 January 2016	31,725	3,837	80,192	2,541	2,018	–	120,313
Charge for the year	1,967	93	2,803	262	193	–	5,318
Disposal	–	–	(77)	(176)	–	–	(253)
Exchange differences	–	1	–	–	70	–	71
At 31 December 2016 and 1 January 2017	33,692	3,931	82,918	2,627	2,281	–	125,449
Charge for the year	1,302	94	2,410	361	200	–	4,367
Disposals	–	–	(65)	(122)	–	–	(187)
Exchange differences	–	(2)	–	–	(79)	–	(81)
At 31 December 2017	34,994	4,023	85,263	2,866	2,402	–	129,548
Carrying amounts							
At 31 December 2017	8,391	–	21,625	1,299	620	185	32,120
At 31 December 2016	9,693	94	23,216	919	820	1,164	35,906

As at 31 December 2017, certain property, plant and equipment, amounted approximately RMB30,697,000 (2016: RMB Nil) of the Group were pledged to secure the borrowing granted to the Group (note 29).

20. PREPAID LAND LEASE PAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	11,098	11,098
Accumulated amortisation		
At 1 January	4,680	4,458
Charge for the year	222	222
At 31 December	4,902	4,680
Carrying amount		
At 31 December	6,196	6,418
Represented:		
Current assets	222	222
Non-current assets	5,974	6,196
	6,196	6,418

21. INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	*RMB'000*
Unlisted investments		
– Share of net assets	50,971	50,971
Less: Impairment	(50,971)	(50,971)
	–	–

Details of the Group's joint ventures at 31 December 2017 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.

	2017	**2016**
	RMB'000	*RMB'000*
At 31 December		
Carrying amounts of interest	–	–
Year ended 31 December		
Loss for the year	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–

The accumulated losses not recognised were approximately RMB808,000 (2016: RMB808,000).

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	*RMB'000*
Unlisted securities		
– as fair value	68,111	–
– as cost	–	11,766
	68,111	11,766

The above unlisted equity securities represented 29.85% equity interest in Vietnam Mayer Company Limited ("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.

23. LONG TERM RECEIVABLES

The amounts were deposited into certain investment companies which are unsecured, interest bearing with an effective interest rate ranged from 9.5% to 10.5% and repayable in January 2020.

24. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	24,383	21,229
Work-in-progress	913	788
Finished goods	26,219	23,628
Goods-in-transit	5	1,714
	51,520	47,359

25. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	115,776	113,340
Less: allowance for doubtful debts	(2,065)	(1,907)
	113,711	111,433
Bills receivables	3,368	5,855
Other receivable	1,682	780
Prepayment and other deposit	21,929	7,540
	140,690	125,608

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:

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	36,885	39,012
31 to 60 days	34,886	39,623
61 to 90 days	21,129	19,696
91 to 180 days	20,811	13,102
	113,711	111,433

Reconciliation of allowance for trade receivables:

	2017	**2016**
	RMB'000	*RMB'000*
At 1 January	1,907	2,639
Bad debts written off	(17)	(444)
Allowance/(reversal of allowance) for the year	175	(288)
At 31 December	2,065	1,907

As of 31 December 2017, trade receivables of approximately RMB5,254,000 (2016: approximately RMB364,000) 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:

	2017	**2016**
	RMB'000	*RMB'000*
Less than 1 month past due	3,617	93
1–3 months past due	1,379	82
More than 3 months past due	258	189
	5,254	364

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	**2016**
	RMB'000	*RMB'000*
Equity securities, at fair value		
– Listed in Hong Kong	–	721

The financial assets at fair value through profit or loss are held for trading.

27. CASH AND CASH EQUIVALENTS

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB26,909,000 (2016: approximately RMB94,808,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

28. TRADE AND OTHER PAYABLES

	2017	**2016**
	RMB'000	*RMB'000*
Trade payables	16,929	15,041
Bill payables	–	1,533
Other payable	57,485	56,870
Dividend payable	536	576
Receipts in advance	11,991	13,067
	86,941	87,087

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

	2017	**2016**
	RMB'000	*RMB'000*
0 to 30 days	10,815	12,975
31 to 60 days	4,460	1,638
61 to 90 days	399	175
91 to 180 days	643	78
181 to 365 days	423	105
Over 365 days	189	70
	16,929	15,041

29. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Other borrowing – secured	10,000	–
Bank borrowings – unsecured	–	55,176
Other borrowings – unsecured	26,922	17,839
	36,922	73,015

The borrowings are repayable as follows:

	2017	2016
On demand or within one year	26,922	73,015
In the second year	10,000	–
	36,922	73,015
Less: Amount due for settlement within 12 months	(26,922)	(73,015)
Amount due for settlement after 12 months	10,000	–

The average interest rates at 31 December were as follows:

	2017	2016
Other borrowing – secured	8%	–
Bank borrowings – unsecured	1.18% – 5.6%	0.6% – 5.6%
Other borrowings – unsecured	8% – 10%	8% – 10%

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

The secured loans represent a loan which is secured by a charge over the Group's certain property, plant and equipment in the PRC as set out in note 19 to the consolidated financial statements and is arranged at fixed interest rate of 8% (2016: Nil) per annum.

30. 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. 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.

31. DEFERRED TAX

The following is the deferred tax liabilities recognised by the Group:

	Revaluation of Available-for-sale financial assets *RMB'000*
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Recognised in other comprehensive income	14,086
At 31 December 2017	14,086

32. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,000,000	195,662
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	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:

	2017 RMB'000	2016 RMB'000
Total debt	36,922	73,015
Less: cash and cash equivalents	(31,317)	(142,379)
Net debt	5,605	(69,364)
Total equity	242,281	208,984
Net debt-to-capital ratio	2%	–33%

33. 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 currencies translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	196,113	125,211	(50,619)	(283,592)	(12,887)
Loss for the year	–	–	–	(6,760)	(6,760)
Exchange difference on translation of financial statements to presentation currency	–	–	4,890	–	4,890
At 31 December 2016	196,113	125,211	(45,729)	(290,352)	(14,757)
At 1 January 2017	196,113	125,211	(45,729)	(290,352)	(14,757)
Loss for the year	–	–	–	(18,300)	(18,300)
Exchange difference on translation of financial statements to presentation currency	–	–	(4,418)	–	(4,418)
At 31 December 2017	196,113	125,211	(50,147)	(308,652)	(37,475)

(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.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale investments until the investments are derecognised or impaired.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	111,065	119,425
Interest in joint ventures	–	–
	111,065	119,425
Current assets		
Deposit, prepayments and other receivable	618	704
Due from subsidiaries	2,593	1,486
Cash and cash equivalents	1,251	215
	4,462	2,405
Current liabilities		
Other payables	40,549	29,558
Due to a subsidiary	495	318
Borrowings	23,086	17,839
	64,130	47,715
Net current liabilities	(59,668)	(45,310)
Total assets less current liabilities	51,397	74,115
NET ASSETS	51,397	74,115
Capital and reserves		
Share capital	88,872	88,872
Reserves	(37,475)	(14,757)
TOTAL EQUITY	51,397	74,115

35. 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 Limited ("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 Limited ("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 of the Company, 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.

36. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Borrowings
	RMB'000
At 1 January 2016	35,542
Changes in cash flows	36,389
Non-cash changes	
– exchange difference	1,084
At 31 December 2016 and 1 January 2017	73,015
Changes in cash flows	(33,934)
Non-cash changes	
– exchange difference	(2,159)
At 31 December 2017	36,922

37. COMMITMENTS

The Group has no significant capital commitments outstanding at 31 December 2017 and 2016.

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Within 1 year	673	452
In second to fifth years	617	–
	1,290	452

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

38. 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 15 is as follows:

	2017 *RMB'000*	2016 *RMB'000*
Salaries and other short-term employee benefit	2,534	3,594
Retirement scheme contribution	–	15
	2,534	3,609

39. 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 Directly	Percentage of ownership Indirectly	Principal activities
Bamian Investments Pte. Limited	Singapore	16,829,670 ordinary shares of SGD1 each	100%	–	Investment holdings
Guangzhou Mayer Corporation Limited ("Guangzhou Mayer")#	PRC	Registered capital of RMB200,000,000	–	81.4%	Manufacturing of steel pipes and other products
Elate Ample Limited	the British Virgin Island ("BVI")	50,000 ordinary shares of USD1 each	100%	–	Investment holdings
Fulland (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Investment holdings
Sunbeam Group Limited	BVI	1 ordinary share of USD1 each	100%	–	Inactive
Top Force International Limited	BVI	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	
	2017	**2016**
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	156,426	57,105
Current assets	221,637	313,666
Current liabilities	(48,967)	(113,422)
Non-current liabilities	(24,086)	–
Net assets	305,010	257,349
Accumulated NCI	55,495	53,930
Year ended 31 December:		
Revenue	367,107	388,678
Profit for the year	8,419	26,526
Total comprehensive income	8,419	26,526
Profit allocated to NCI	1,565	4,933
Dividends paid to NCI	–	–
Net cash (used in)/generated operating activities	(30,264)	22,676
Net cash (used in)/generated investing activities	(43,258)	11,242
Net cash (used in)/generated from financing activities	(37,522)	31,773
Net increase in cash and cash equivalents	(111,044)	65,691

As at 31 December 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB26,909,000 (2016: RMB94,808,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

40. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2018, the Company received a letter from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to proceed with the resumption proposal submitted to the Stock Exchange on 19 December 2017 (the "Resumption Proposal") subject to the completion of all the transactions contemplated under the Resumption Proposal. If the Company fails to do so or the Resumption Proposal fails to proceed for any reason, the Stock Exchange will proceed to cancel the listing of the shares of the Company on the Stock Exchange. The Company's resumption team is now preparing an announcement in relation to all the transactions contemplated under the Resumption Proposal to the general public.

In early January 2018, the Company's lawyers had lodged the application to serve the writ on the defendants (who are the former Directors, Mr. Lai Yueh Hsing, Mr. Hsiao Ming Chih and Mr. Huang Jui Hsiang, collectively, the "Defendants") out of jurisdiction for the Company's damage claims against the Defendants. With the assistance of the lawyers in Taiwan, the service of the Hong Kong court's writ of summons to the Defendants in Taiwan had been completed in early April 2018. The Company's lawyers are now working on the statement of claim for the Company against the Defendants.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 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				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Continuing Operations:					
Revenue	561,105	541,360	420,225	388,678	367,107
(Loss)/profit before taxation	7,150	(13,950)	(8,241)	23,225	(12,141)
Income tax expense	–	(120)	–	(3,467)	(900)
(Loss)/profit for the year	7,150	(14,070)	(8,241)	19,758	(13,041)
Attributable to:					
Owners of the Company	3,601	(13,801)	(8,546)	14,825	(14,606)
Non-controlling interests	3,549	(269)	305	4,933	1,565
	7,150	(14,070)	(8,241)	19,758	(13,041)

	As at 31 December				
	2013	**2014**	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets	65,181	60,376	56,918	53,868	156,205
Current assets	280,753	267,482	256,893	316,289	224,025
Current liabilities	(129,785)	(126,162)	(121,834)	(161,173)	(113,863)
Non-current liabilities	–	–	–	–	(24,086)
	216,149	201,696	191,977	208,984	242,281
Share capital	88,872	88,872	88,872	88,872	88,872
Share premium and reserves	78,316	64,132	54,108	66,182	97,914
Proposed final dividend	–	–	–	–	–
Non-controlling interests	48,961	48,692	48,997	53,930	55,495
	216,149	201,696	191,977	208,984	242,281